

PARLIAMENT
OF THE CAYMAN ISLANDS



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STANDING PUBLIC ACCOUNTS COMMITTEE

FINANCIAL REPORTING OF THE
CAYMAN ISLANDS GOVERNMENT:
GENERAL REPORT 31 DECEMBER 2022
(OCTOBER 2023)

Official transcript relating to the Official Report of the Standing Public Accounts Committee Meeting held on 14 March, 2024

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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 Hon. Heather D. Bodden, OCI, Cert. Hon., JP, MP, Member
Apologies:	Mr. Bernie A. Bush, MP, Member Hon. McKeeva Bush, JP, MP, Member
Audit Office:	Ms. Sue Winspear, Auditor General Mr. Winston Sobers, Deputy Auditor General for Financial Audit Mr. Gabriel Ncube, Audit Manager Mr. Desmond Mutava, Audit Project Leader
Witnesses:	Hon. Franz I. Manderson, MBE, Cert. Hon., JP Deputy Governor and Head of the Civil Service Cayman Islands Government
	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)
	Mr. Robert Tatum Deputy Director, Central Procurement Office Ministry of Finance and Economic Development
In attendance:	Ms. 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
14 MARCH, 2024
10.16 A.M.

FINANCIAL REPORTING OF THE CAYMAN ISLANDS GOVERNMENT: GENERAL REPORT 31 DECEMBER 2022 (OCTOBER 2023)

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Thursday, 14th March, 2024, at 10.16 a.m., in the Chamber of the House of Parliament; George Town, Grand Cayman

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

The Chairman: Good morning, everyone. I'd like to go ahead and call this meeting of the Public Accounts Committee to order. As usual, we begin with a prayer. I've asked Ms. Heather Bodden to lead the Committee in prayer at this time.

Hon. Heather D. Bodden: Thank you, sir.

Our kind heavenly Father, we humbly bow our heads in reverence. We come before you with grateful hearts. Lord, today, we thank you for your mercies, we thank you for all you've done for us these past few months, and we ask for your continued blessings. Grant us peace, unity and serenity in your presence and purpose in doing what we're called upon to do. Give us a good day. May we undertake all that we do seriously, that's before us today. Guide our thoughts, words and actions. All this I pray, in your Holy Name's sake. Amen.

The Chairman: Thank you, Ms. Heather.

Good morning, again, to everyone. It is good to see you here. They say third time is a charm. This is our third effort now to achieve a quorum and get this examination of this report from the Auditor General completed. We are here this morning to examine a report entitled '*Financial Reporting of the Cayman Islands Government'* that was issued by the Auditor General's Office in October 2023.

We have apologies from two members, Mr. Bernie Bush, who was recently appointed to the Committee, and the Hon. McKeeva Bush. Notwithstanding these two apologies, we do remain quorate this morning and so the Committee can proceed with the Hearing.

I want to say a special welcome to the Auditor General's Office and particularly, Ms. Sue Winspear, the Auditor General. She has with her the Deputy Auditor General for Financial Audit, Mr. Winston Sobers; Mr. Gabriel Ncube, Audit Manager; and Mr. Desmond Mutava, Audit Project Leader. Gentlemen, welcome as well to the Committee.

I also recognise that we have the Financial Secretary, Mr. Kenneth Jefferson, as well as Mr. Matthew Tibbetts, the Accountant General, sitting in as is customary.

Now, I'm going to go ahead and turn things over to the Auditor General and ask her if she would introduce the report that we are here to examine this morning.

Auditor General.

OFFICE OF THE AUDITOR GENERAL

Ms. Sue Winspear, Auditor General: Thank you, Mr. Chairman. Good morning to you and to members of the Committee; the Deputy Governor (DG), Officials from the Ministry of Finance, and those listening in. Thank you very much for the opportunity to make some opening remarks.

As you said, we're considering our general report on the entity audits for 2022. Indeed, at the moment, we're hot in completing the entity audits for 2023. This report gives the results of all the 2022 audits conducted and concluded by 30th September and draws out the thematic significant audit matters. By September last year, 40 out of 46 entity audits had been concluded and all audits had received a clean or unqualified, unmodified audit opinion; and this continues the impressive run of reporting at an entity level in Cayman. Subsequent to the report, we've concluded two more audits and both of those have also had a clean opinion.

As I said, the state of financial reporting at entity level in Cayman is strong, but it's worth noting that the consolidated entire public sector account still has its 2021 and 2022 audits outstanding. The 2020 audit was concluded in December last year just before Christmas and it saw the continuation of an adverse audit opinion and this is of concern. It's important that colleagues in the Ministry of Finance and Economic Development continue to implement the corrective action plan they have developed to move this account from an adverse opinion to firstly, a qualified opinion, and then an unqualified one over time.

I will now briefly highlight the main areas of concern that we found through undertaking the 2022 entity audits. Our first concern regards the quality of some of the entities financial reporting. For the 40 audits we reported on in the report based on September, over 280 audit adjustments valued at over $115 million were made.

Our second area of concern seems to be a reluctance to disclose sufficient detail in the financial statements about severance payments, commitments and subsequent events; and inadequate explanations are often given for budget variances. These are all things required by accounting standards and all things that the public are interested in.

We found a concerning number of instances where entities did not comply with the Procurement Act, including examples of direct awards without approval through a business case and lack of Public Procurement Committee approval for contracts over $250,000. This raises concerns about the value-for-money the country is getting through procurement.

Funding implementation of section 47 of the Public Authorities Act (2020 Revision) remains a concern and I have again raised concerns about the costs of implementation and budgeting for these. With regard to that Act, a small number of Statutory Authorities and Government Companies have still not implemented the revised pay scales that will align their employees' pay with that of the Civil Service, despite the exercise having been completed. I've made five recommendations in the report which I hope the PAC will endorse and probe through this Hearing.

Before concluding, I would like to make one small correction to our report. On page 11, paragraph 28 of the report, we detailed examples where the Procurement Act and Regulations weren't followed. In the final bullet point, I would like to remove the communication tower example of $930,000 from the list because whilst that Ministry could not produce evidence that it had been before the Public Procurement Committee, the Corporate Procurement Office found evidence for us, so that one was in compliance. I apologise that we have to make that correction, but obviously, it reduces the number of non-compliant instances.

Thank you for introducing my team. Winston obviously leads the financial audit practice, and Gabriel and Desmond have done the most work in producing the report. We'll be happy to assist you through the Hearing, Mr. Chairman.

Thank you.

The Chairman: Thank you, Auditor General.

Members, the Auditor General's report summarises the financial results and the audit opinions that were given to public bodies for 2022, and the report itself provides a host of information about the financial health of public bodies. The report draws attention to several key audit matters. The report makes five recommendations to bring about improvement and while some are new, some are repeat recommendations made in other reports issued by the Auditor General in the past.

We are going to be hearing later this morning from the Financial Secretary, the Accountant General and Deputy Director from the Central Procurement Office about the role of the Ministry of Finance. We thank and appreciate you all being here today, and knowing how busy you must be we're going to endeavour to limit our questions to those we feel are most important. Similarly, we will also be grateful if you would keep your responses brief so that we can cover the range of areas that we have to in the available time before us, but I don't want in any way to limit your responses.

With that introduction from me, I would invite the Honourable Deputy Governor if he would take his place in the Committee.

[Pause]

The Chairman: Good morning, Deputy Governor. Welcome to the Committee.

The Deputy Governor, Hon. Franz I. Manderson: Good morning, Mr. Chairman and good morning members of the Public Accounts Committee.

The Chairman: Deputy Governor, the Auditor General has made two recommendations in the 2022 General Report relating to section 47 of the Public Authorities Act. I want to begin this Hearing with discussion of each of these in turn.

Firstly, the Auditor General recommends that the Cayman Islands Monetary Authority and the Civil Aviation Authority should urgently complete the implementation of the Public Authorities Act to ensure they are fully compliant with the Act. We understand that the Port Authority recently complied by implementing the government pay scale.

Secondly, the Government needs to consider the financial implications before further implementing the Public Authorities Act, section 47. This is a repeat recommendation first made in the Performance Audit Reporting, '*Improving Financial Accountability and Transparency: Financial Management and Reporting, May 2021'*, and again in the 2021 General Report. In its management response, Government agreed and accepted that recommendation. However, it appears that the Government's response may only be in relation to section 47(1) of the Public Authorities Act on salary scales and not section 47(3) on pension and health care benefits. However, no action has taken place to date.

The Auditor General noted some inconsistencies in applying the Public Authorities Act, section 47 by several Statutory Authorities and Government-owned Companies (SAGCs). Some SAGCs applied the salary adjustments from the effective date of the Public Authorities Act, section 47; that is from the 1st June,

2019. Whilst others applied the salary adjustments from when the job evaluation exercise was completed. The inconsistencies in applying this section of the Act can mainly be attributed to the guidance provided. This has resulted in some public servants being treated unequally.

Deputy Governor, I wish to ask you first: what is the role of the Deputy Governor's Office in providing guidance and ongoing support to public bodies with regard to the implementation of the Public Authorities Act, section 47?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, thank you very much.

As Head of the Civil Service— the operative word is Civil Service— I have no authority over the Public Authorities. That is, they are operated by a board and they report up to the Ministries, from the Chief Officer up to the Minister. Obviously, we have a good working relationship with the Public Authorities, and the Portfolio of the Civil Service (PoCS)—which is the Portfolio that I'm directly responsible for—was responsible for evaluating all of the job descriptions for the SAGCs, and doing that in line with civil service jobs using the same methodology and then reporting that back to the SAGCs, in terms of where certain jobs fit on the Civil Service salary scale.

That job has been completed and there's been large compliance with the Public Authorities Act. I think we are now down to two SAGCs that have not implemented the salary scale. I can't tell them to do it. That's not my role; I don't have any authority over it. I think they should be asked why they haven't. Again, that is not my role. My role is to have ensured that all of the job descriptions were evaluated and given to them. Then it was for their board and their Chief Executive Officers (CEOs) to get it implemented.

The Chairman: I understand you say you can't direct them to, and I accept what you say. However, is it not possible for you to use your influence or is it urging or… in order to help drive the compliance?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, certainly. I mean, you know, with the blessing of this Committee, when I go back to my office I can send them a nudge to say, '*you need to do this*.' I'm quite happy to do it. I'm just saying, I'm responsible for many things, but this one, I am not directly responsible for it. I'm not Head of the Public Service; I'm Head of the Civil Service, so my job is to make sure that the Civil Service, the Ministries and Portfolios perform.

Again, I'm not here to make excuses. Certainly, I'm happy to give those entities a nudge and say that they should comply.

I mean, we have had dialogue from time to time and I'm aware that those two particular agencies have said that implementing the salary scale will impact their ability to hire best talent. My response to that is, that we have a market factor provision in the Public Authorities Act, where if you continue to recruit and [are] unable to attract best talent, then you can apply a market factor consideration so that you do get the best talent. The two agencies that we are talking about are highly specialised SAGCs and they are concerned around their ability to attract talent. Again, I think it's something that can be worked out, but I will send a note, sir and send it to you as well.

The Chairman: I think that the Public Accounts Committee would welcome that, sir.

I note too, that most of the effort with compliance was taken around the issue of standardising the salary scales. As I said in my preamble, that section 47(3) regarding pensions and health care, remains largely unaddressed. I think PoCS had probably been involved in a very big way trying to help them with these issues.

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, again, thank you.

The Auditor General raises an excellent point. This is something that needs to be addressed, it needs to be costed, what is this going to cost us? It is a policy decision that our policy makers have to make. Now that we are here today, I think what I will do as an action is to take it back to the elected Government and look to see what policies we need to have to address this issue; make them aware of the report and the concerns and then come up with a solution so that this matter doesn't come up again when the entities are audited again. Therefore, my undertaking, Mr. Chairman, is to have a policy decision made over the next couple of months in relation to this issue because it has dragged on for a bit too long.

The Chairman: If I remember correctly, there are a diversity of ways in which the SAGCs have provided health care coverage; for example, some are using private and some are using the Government health scheme. In my mind, there needs to be a real push again to try and standardise it because I know that it's creating issues, particularly with people once they retire from the SAGC and they often find that they are without health care coverage.

The Deputy Governor, Hon. Franz I. Manderson: That's correct. Of course, Mr. Chairman, as the Auditor General has pointed out that's a very costly exercise, providing post-retirement healthcare is very costly. If that is something that is going to happen in every single government entity then we would need to look at that very carefully and look at the costing.

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

The Chairman: Financial Secretary.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Good morning. I just wanted to add some information to what is being said and I'm mindful of the need to be brief.

What I would say is that in connection with trying to get a grip on the cost of the implementation of the Public Authorities Act, we at the Treasury recently redoubled our efforts to find out the cost. The Accountant General wrote to the Statutory Authorities to ask what was their experience with the cost of implementing the Public Authorities Act. What's the cost of [implementing] section 47(1) which deals with salaries and (3) which deals with health care and pensions? Of the approximately 26 SAGCs, we heard back from about 17 of them as of this morning.

Quickly for the benefit of the listening public. One of the main thrusts of the Public Authorities Act was to achieve, I'd say, greater comparability, greater parity between the Public Service and the Civil Service. It is the case that in the Civil Service, civil servants don't contribute out-of-pocket to their health care and pension costs. Whereas public servants [up to] a short while ago actually did so and the Public Authorities Act then said, we need to achieve greater parity in that situation. You can either achieve greater parity by increasing the salaries, for example, in the Public Authorities to compensate for the fact that our public servants are having to pay pension contributions and health care costs out-of-pocket or you can leave the salaries pretty much unchanged, but the Authority itself can actually start making an increased contribution to the health care costs and pension contributions for their employees. We can achieve greater parity either way or [by] some combination of the two.

When we wrote recently and asked, what are the costs of implementation? The 17 or so responses we got back said that on the health care and pension aspects—and these are annual costs that their estimate was approximately—I'm going around it— $20 million annually, just on the health care which fits in quite nicely with the Auditor General's report on page 10 where it speaks to $17 million for health care costs. The 17 SAGCs that we've heard from, are saying that the annual cost just on the healthcare/pension parity aspect is costing an additional $20 million. On the salary scales [section 47] (1), of the 17 that we've heard from, the approximate uplift was about $2 million, sir. Thus, we've heard from 17 of the 26 and those were the numbers that we've gotten so far.

The Chairman: Thanks for that clarity, Financial Secretary. May I just ask you one question in turn: have any of them taken steps towards implementing or are they still not complying at this point in time?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, thank you, sir. The 17 that I'm speaking of would have all implemented.

I think there is still some confusion and we're not getting necessarily straightforward answers about which scales are being used, because we asked the direct question, are you using the government salary scales as is or are you devising your own scale to suit your individual situation; and has Cabinet approved any scale that you have devised?

The best example of the latter would be the pilots. They have their own unique scale, which I understand that the Cabinet has approved because obviously there is no comparable position in Central Government in the Civil Service to go along with pilots; the closest would be MRCU but the Cayman Airways pilots are unique. Hence, that's one example of where an SAGC has developed its own salary scale just for the pilots, and the rest of Cayman Airways have a different scale. We're not getting necessarily clear-cut answers as we would like. I think the majority of them have switched over to the government scales and are using them, but some of the answers are not as clear-cut as we would like as to which scales are being used.

The Chairman: Deputy Governor, has government considered the full financial implications of implementing the Public Authorities Act, section 47, if all SAGCs adopt the Civil Service Pension and Health Benefits under section 47(3)?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, other than what the Financial Secretary has outlined, I can't say that there's been a particular project to look at the overall number. However, I do know as the Financial Secretary said, there has been individual entities that have done costing, but I can't say with a high degree of confidence that '*yes, within the Civil Service, the government, that we have done an overall costing*'. I can't give that assurance.

The Chairman: Can you let us know what actions your Office has put in place to ensure that all public servants are treated equally through consistent application of the Acts?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, what my Office can do is support the Statutory Authorities while like I said, I don't have a direct remit, we do have an excellent working relationship. We work together, we share ideas.

My Office has been doing a tremendous amount of training of the boards and we have an excellent training programme for board members to make sure that they understand the Public Authorities Act, good governance and how to conduct themselves as board members; and it is heavily subscribed. So, we have done a lot of training in that area. I think it has

been very successful. It is in high demand, which is great, which means board members want the training, they want to understand how to carry out their fiduciary responsibilities to the board, and I think that has actually made a big difference.

The Chairman: Could you share with the Committee your views on the sufficiency of funding provided to SAGCs for implementing the Public Authorities Act 47(1) and (3)?

The Deputy Governor, Hon. Franz I. Manderson: Thank you, Mr. Chairman.

Mr. Chairman, from time to time when the Public Authorities Act was being implemented— and I'm talking specifically to, I think it's 47(1) in relation to salaries— what we found was that in the majority of SAGCs people were paid a bit more than in the Civil Service, so it didn't actually result in increased cost for the SAGC. However, in one particular case, I can remember, I think it was found that some of the positions within that entity needed some elevation and Cabinet authorised funding to help that agency implement the Public Authorities Act. It was not a significant sum because it was normally some of your lower level employees, but from time-to-time Cabinet has assisted some SAGCs that did not have adequate funding. The vast majority, I think, were able to accommodate the implementation; again, I'm speaking about the salary scales from within their own budgets.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, if I could just try to help out, and quickly.

What I would say is that the mechanism by which the Government would feel the effects of implementation of section 47 would obviously be through the budgeting process. For example, if any of the SAGCs have a relationship where they provide outputs to Government, and Government obviously will pay that Authority for producing that output, and the statutory authority actually implemented section 47, and as a result of that it saw that its cost increased, we would expect then that that SAGC would filter at least a substantial portion of those increased costs from implementation of the Public Authorities Act to Government in the form of greater cost for outputs that Government was buying from that Authority. I can say that I'm not aware at all of a situation in which we got a request from an authority that said, "*pay us X dollars for these outputs that we are doing for you Government"*, and the Government declined that request on the basis that the costs are too high. I don't recall any such situation.

In conclusion, what I'm saying is that the increased cost of implementation, I think, could ultimately be borne substantially by the Government if there is a relationship between the Authority and the Government.

The Chairman: Thank you for that Financial Secretary.

Final question under this section Deputy Governor. With regard to the two entities that we know that are not complying at this point, CIMA and Civil Aviation Authority, are you aware of any plans that they have to try to resolve the issues that prevent them from complying with the Act?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, certainly I'm aware that the two entities are not comfortable with the situation that they're in. These are two of our most highly respected SAGCs, in terms of the work that they do, but I do know, as I said earlier, that there were concerns around if they implemented the Law with the current salary scales of the civil service that it was going to hamper their ability to attract best talent and that is something that I know they were working on with their various Ministries. As I gave an undertaking earlier, Mr. Chairman, I will go back and find out exactly where we're at and encourage them to find a way to comply.

The Chairman: Thank you, sir.

We're now going to move on to the sub-topic of Non-compliance with the Public Management Finance Act sections 11 and 12. For that, I'm going to turn to Ms. Barbara Conolly to lead the line of questioning.

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

Mr. Chairman, through you to the Deputy Governor: The Auditor General issued 'emphasis of matter' paragraphs for six public bodies because of their non-compliance with sections 11 and 12 of the Public Management and Finance Act. The Government did not introduce the Supplementary Appropriation Bill for 2022 in Parliament by the 31st March, 2023 as required by the Act. My question to the Deputy Governor is, can you advise this Committee on why six public bodies did not approve their Supplementary Appropriations in the timeframe required by the Public Management and Finance Act; and what were the reasons for the delay?

The Deputy Governor, Hon. Franz I. Manderson: Thank you, Mr. Chairman. Could you just highlight where in the report that is? I just want to make sure I familiarise myself.

The Chairman: Auditor General, may I ask you for your assistance in directing us to the appropriate page?

Ms. Sue Winspear, Auditor General: Page 14.

[Pause]

Ms. Sue Winspear, Auditor General: Page 14, paragraph 35.

The position with this was that in the recent past, PMFA was changed to give three months grace at the end of the year to get Supplementary

Appropriations approved. Obviously, good practice would be that you're spending budget that you've already got approved by Parliament or else you're not spending authorised money so that's the reason that we've done it, and we appreciate that sittings of Parliament can be problematic.

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, thank you to the member.

Obviously, sections 11 and 12 mean additional Appropriations approved by Cabinet. It means that the Financial Secretary and his team would normally approve an Appropriation Bill that would be brought here— Financial Secretary can correct me if I'm wrong. I think one of the issues that we have had is the frequency with which Parliament meets, if Parliament doesn't meet frequently, then we are unable to get the Bills down here as prescribed. It is something that I think we can improve on, but I think that's one of the reasons why we are not as efficient as we should have been.

Financial Secretary, I'm not sure if you have anything you want to add on that particular matter.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman and Deputy Governor. Not to add a lot in terms of causing more time delay. Obviously, the law requires that at the end of a financial year there is a clean-up Supplementary Bill that needs to take place which looks at the year just gone by and it aggregates and puts all of the Supplementaries that have gone on in the previous year in one convenient Bill. The requirement of the Law is that that Supplementary Appropriation Bill be brought to Parliament by the 31st March. The Deputy Governor was probably not the best person to field that question. I can't remember the exact timing of the Supplementary Appropriation Bill for the 2022 year, but it didn't get here physically even by the 31st March.

As an update, we are in the process of finalising the Supplementary Appropriation Bill for the 2023 year that finished a few months ago, getting that to the Parliament before the 31st March. Perhaps the language in the PMFA could be improved because it speaks to the Bill having to be introduced to the Parliament— and I guess that it's possible to have a debate about, what does introduction mean? Does it mean just physical delivery of the Act to the House and the House doesn't look at it because it's not Sitting or does it mean the House actually has to approve it by the 31st March? Our aim for 2023 is to certainly physically get it transmitted to the Parliament before the 31st March.

To a large extent, Mr. Chairman and members, it should be a real tidy-up exercise because there should not be many items in the Bill that Members of Parliament would not have seen previously in the course of the year, either under the section 11(5) Supplementaries which the Cabinet can do, and associated with that, Ministers have to make statements in the Parliament that explained what those section 11(5) Supplementaries are. Then in section 12 Supplementaries, Finance Committee meets and approves them during the course of the year. So, what we're talking about here is a tidy-up, administrative exercise, taking all of those individual Supplementaries in the course of the year, putting them in one nice neat compartment called a Supplementary Bill and getting that to the House by the 31st March each year.

Ms. Barbara E. Conolly: Thank you, both to the Deputy Governor and to the Financial Secretary for that explanation. I can appreciate too that perhaps we don't have regular meetings of Parliament; hence, there may be a reason as a result of the delay. However, can I have some assurance either from the Deputy Governor or the Financial Secretary that going forward, these six bodies, as well as every other public body, will have these reports submitted before the 31st March? Can I have that assurance from both of you, please?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman through you: Again, thanks to the Financial Secretary for his elucidation on the matter. I think it's a combination of both things, regular meetings of Parliament, but obviously, as the Financial Secretary said, there needs to be additional work to be done on our side as well. Thus, I'm happy to give this Committee assurances that we will do better in that regard and I will work with the Financial Secretary and his team to make sure that any outstanding Appropriation Bills are sent down to Parliament as soon as possible.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, in five seconds. For 2023, we do have the Supplementary Appropriation Bill done in draft. It hasn't reached Cabinet as yet, but we are hoping that we are going to get it to Cabinet next week.

The Chairman: Thank you gentlemen for the commitment to get it done.

Financial Secretary, I think back to a few years ago, actually, originally the law required it to be done by 28th February; I remember we amended the act in 2016/17 to extend it to three months to 31st March. Last year is not the first time it didn't make it down here in time, and I'm just curious from your viewpoint as to whether the three-month period remains valid, in terms of the ability of the Civil Service to get the Bill down to Parliament.

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

Mr. Chairman, I do believe that three months is a reasonable period of time. For it to go beyond that,

we would probably get into matters not being transparent to Parliament and so forth, so I think three months is definitely a reasonable period of time; and thank you for the reminder that it was actually extended. Obviously, the ability to get the Bill to the Parliament will also depend, to some extent, on the volume of Supplementaries that were incurred during the course of the past year. In the case of the 2022 and 2023 year, there were quite a number of them, and they ran pages and pages and pages, which certainly is not to make any excuses.

However, that is certainly not to make any excuses, I do think that three months is sufficient time and what we can do is to prepare the Bill during the course of the year as the Supplementaries are being incurred and approved, and not necessarily wait until the end of the year before we start preparing the Supplementary Appropriation Bill, and I think three months is sufficient.

The Chairman: Auditor General.

Ms. Sue Winspear, Auditor General: Thank you, Mr. Chairman, through you.

I want to thank the FS for suggesting something that I would heavily support— that it is done in a more timely way through the year because as I said at the outset, if the year ends, and you haven't got the budget approved, you're in a position where those entities have overspent their budget without Parliament's authority, and that's really not good practice.

Just to support the FS, if there are Supplementary Appropriation Bills that can perhaps be introduced during the course of the year, so that at year-end, it really is just a tiny sweep-up of any late Supplementaries, it would be much better practice because then you would have budgets that are approved, and spending that is authorized by Parliament, which is not where we are at the minute.

Thank you.

The Chairman: Thank you, Auditor General. Ms. Connolly?

Ms. Barbara E. Conolly: Through you, Mr. Chairman, to say thank you all for that very thorough explanation, and to the Auditor General also, for her input. Thank you. That's it for my questioning.

The Chairman: Mr. Hew.

Mr. Joseph X. Hew: Thank you, Mr. Chairman through you to the FS.

There is a belief that many of these Section 11/Section 12s happen at the end of the year in a scramble to utilise the budget, if it was not used in an area, to move the monies over. Is that a problem, whereas you have a large number of these transactions being done in a short period of time at the end of the year?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman. I was reflecting on how best to answer the question.

Mr. Chairman, it's undoubtedly the case, particularly in the second year, because, obviously, we have a two-year budget— in our most recent example, it would have been 2023. As you approach the end of the year honestly, yes, there is a great temptation to utilise budgets to the fullest extent possible because come the end of the second year, those unused budgets don't carry forward into the subsequent year. Thus, I think the honest answer is yes, it does create a great temptation.

The Chairman: If there are no further questions, we will move on to the next Section, which deals with the issue of backlogged audits. I'm going to turn to Ms. Heather Bodden to lead that line of questioning.

Hon. Heather D. Bodden Deputy Speaker: Thank you, Mr. Chairman.

I direct my question to the Deputy Governor. As of the end of September 2022, 17 audits were backlogged, [and] as of today, 13 audits are back-logged. The long-standing, problematic back-logged audits relate to the Ministry of Health and Wellness, and the Cayman Islands Airport Authority (CIAA), both of which have five years of audits outstanding going back to 2019.

My question to the Deputy Governor or the Financial Secretary, is: How do you hold Chief Officers to account with regards to the backlogged audits?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, thank you to the Member.

Again, I can't speak to the Airports Authority as I have no remit over statutory authorities.

Specifically, for the Ministry of Health, I think we have completed 2019 and it has now been signed off—the Auditor General can correct me if I'm wrong— and we are now beginning to look at the next year's audit [2020]. The Auditor General and her team have raised this matter with me from time to time. Obviously, it is not an acceptable situation to have audits backlogged that long. I've looked into why and how it happened, but what I'm focusing on now is solutions.

The Auditor General and her team have raised this matter with me from time to time. The Auditor General employed staff whose primary job is to deal with the backlog, and I'm pleased to say that the Ministry of Health has done the same, because it is very difficult for the Chief Financial Officer (CFO) in a Ministry to focus on the day-to-day operations of the Ministry— pay all its bills, make sure everything is operating; while working on requests from the Auditor General on audits that are three or four years behind.

The Ministry of Health employed a Deputy Chief Financial Officer, recruited from within the civil

service so there's no learning curve, whose primary responsibility is to ensure that the outstanding audits are brought up to date. Up until yesterday, there was a meeting between the Auditor General's team and the Ministry of Health's Finance team, working together to ensure that this backlog is cleared up in short order. I think it may take a year, maybe two, to get us current, but I feel very confident that we now have the resources in place.

Certainly, the Auditor General has my commitment and the commitment of the Chief-Officer to work closely together to ensure that this one civil service entity that hasn't gotten their accounts up to date, does so.

Ms. Sue Winspear, Auditor General: Mr. Chairman, sorry, I do have to correct the Deputy Governor because we just signed off 2018, so it is still five years.

The Deputy Governor, Hon. Franz I. Manderson: I got my years wrong. My apologies.

Ms. Sue Winspear, Auditor General: I wish you were right.

Hon. Heather D. Bodden Deputy Speaker: I clearly understand and thank you for that information, Deputy Governor.

Ms. Barbara E. Conolly: Thank you.

Deputy Governor, can you indicate whether all Ministries have a Deputy Chief, like a Chief Financial Officer? You had to recruit someone to assist the CFO in the Ministry of Health, so my question is, do all the Ministries have a Deputy Chief?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, through you.

If members would cast their memory back to 2019, the Chief Officer in the Ministry of Health was transferred out in 2019 and that Ministry's CFO became the Acting Chief Officer, so right away, there was a huge void in the finance team; because the CFO was now the Acting Chief Officer, someone had to act as CFO, so there was a shortage in the finance team and of course, what happened in 2020? There came COVID.

That Ministry was leading the Government's response to COVID, so the Finance team was not focusing on audits, but on procuring test kits and all of the supplies that we needed for COVID. That went on for over a year and a half of us being in the COVID fight.

Once the Acting Chief Officer got confirmed in the role, they had to go about building back the Finance team, as well as expanding the Finance team in the Ministry. So, yes, normally there would be a CFO, and perhaps two deputies depending on the size of the Ministry; but given what I just said, there were some capacity issues because the CFO was Acting Chief Officer, which meant there was an Acting CFO and an Acting Deputy, so there were resources issues in the Ministry at the time. I hope I explained how we got here, but also that we now have a full team in place.

In addition to the CFO that we've brought in just for this, another Member of the finance team is starting next month, so that we have a full finance team that is able to deal with the backlog, as well as the current day-to-day operations of the Ministry.

Ms. Barbara E. Conolly: Thank you. Mr. Chairman, through you to the Deputy Governor.

Deputy Governor, five years of outstanding audits. This is 2024. Surely, I know we had the Chief Financial Officer acting as the Chief Officer and also COVID but, in a situation like this, would it not have been acknowledged at the time to say, *"bring somebody in"*, and not wait for five years' audits not to have been completed? I mean, surely there must be financial people within the Ministry or even if you had to bring someone from the outside, to bring these audits up to date. Is that perhaps a sort of arrangement that you all could have addressed at that time?

The Deputy Governor, Hon. Franz I. Manderson: In the middle of COVID I would say no, we were not focused on this. For those two years, (2020 and 2021), I would say we were focused on saving people's lives, not on a backlog of audits. Ma'am, I don't want to give excuses. The situation we are in is not an acceptable one. I think I've explained how we got here. I just want to assure the Committee that we now have the resources in place, the skill set, and the desire, to ensure that it doesn't happen again.

In addition, I want to remind the Committee that, yes, we are behind in that Ministry; but the Ministry continues to submit its accounts on time to the Auditor General. So, it's not like they have not complied with the law at all. All of their financial statements have been submitted on time. The Auditor General now has a team working on the backlog and we now have a staff member working on the backlog. I think we will get it sorted out in short order.

It's not an ideal situation, by any means, and I don't want to give the impression that it's something that we are happy about because we are not.

Ms. Barbara E. Conolly: Through you, Mr. Chairman, to the Deputy Governor. Thank you, Deputy Governor. Is there any kind of time frame to have these audits brought up to date— 2019, 2020, 2021, 2022, and now 2023?

The Deputy Governor, Hon. Franz I. Manderson: I spoke with the Chief Officer about this issue yesterday [and] her belief is that within two years we will be up to date. I would defer to the Auditor General as to whether it is a realistic timeline or not, but certainly, from our standpoint, we think it is a realistic timeline.

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

Deputy Governor, I understand your inability to provide commentary on the Cayman Islands Airports Authority situation, so I'll just put this out for everyone over there. I can appreciate, and I would probably believe, that the issue of the Cayman Islands Airport Authority may have dated back to a combination of COVID, but also much energy put into the audit for the last large capital project—that being the re-development of the airport—and I know that there was an audit done at that time.

Bearing that in mind, are there any concerns about the backlog of audits, some five years, for the Cayman Islands Airports Authority, as they are about to embark on another very large project requiring great capital expenditure?

Ms. Sue Winspear, Auditor General: Thank you. Through you, Mr. Chairman, to Mr. Hew.

Thank you, Mr. Hew. Yes, you're quite right. They did have big projects, but I think the problems arose more from vacancies within their finance team. It's not unusual for many entities to have big projects during the course of the year, but obviously they don't necessarily then have issues with getting their financial statements completed. I was just conferring with Winston because it was so long ago, I've kind of forgotten what the original problem was, and I think it was problems with sufficiency of resources in the finance team.

There was also a really big problem around the cash within the entity that took up much of that resource as well, trying to reconcile and agree the cash— and of course, once you're in backlog, it becomes difficult, as the DG quite rightly said, because people are keeping the job going, keeping the day-to-day finances going, as well as trying to, sort of look back, and deal with the backlog. I think once you get in backlog, it does become much, much harder for entities.

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

I thank the Auditor General for that clarification. I don't know if she or her team are in a position to confirm, similar to what the DG said about the Ministry of Health, that they are otherwise compliant with the submittal of their financials.

Ms. Sue Winspear, Auditor General: Through you, Mr. Chairman, back to Mr. Hew. Thank you.

Yes, I can confirm that both the Ministry of Health and the Airports Authority do submit their financial statements by the statutory deadline each year so that's good; and just to add that we're almost there with completing the Airports Authority's 2019 audit. They now have got additional resourcing like the Ministry of Health has just started to do, so I feel optimistic on both fronts— but I felt optimistic before so…

[Laughter]

The Chairman: Any other question from the Committee on this? If not, we then move on to the status of the entire public sector (EPS) audits.

Deputy Governor, the report highlights that for at least the past three years, the entire public sector accounts have received adverse audit opinions because of various issues. The Committee believes it is time for the Government to focus on improving the quality of the entire public sector consolidated accounts to move on from an adverse audit opinion.

The Auditor General acknowledged the progress made by the Ministry of Finance to rectify this, and recommended that the Ministry of Finance and Economic Development continue implementing the action plan to improve the quality of the entire public sector's consolidated financial statements. The action plan will move the EPS towards the desired unqualified audit opinion in the longer term. We're also aware that one of the reasons for the adverse opinions relates to the non-disclosure of the $2.3 billion liability for post-retirement medical liability. The disclosure of such a liability is a requirement of the accounting standards adopted by the government.

As the entire public sector accounts will not achieve a clean opinion without such disclosures in the financial statements, can you tell the Committee what your plans are to ensure that the entire public sector account moves to an unqualified opinion on the long term?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, that's a tough one, sir. I'm going to ask the Financial Secretary to expand, but sir, as you know, this involves decisions at the political level in terms of whether we are going to take the decision to move the liabilities on to our books.

It's a very difficult one, Mr. Chairman. I wish I had a magic wand that I could wave and we could sort it out, but I can't say with any degree of certainty that I can give a commitment to this Committee, that we are going to solve this in a very short order. It is a very, very, difficult issue to resolve.

It's going to take some very, very hard decisions, but maybe the FS can talk about it. He deals with it on a daily basis.

The Chairman: We are going to give him a similar question when we get to him; but if I could though, can you give us an indication, Deputy Governor, what's the state of discussions across the government with regard to disclosing the post-retirement medical liability?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, certainly there is a keen desire at all levels for us to get this right. We have made so much progress over the years. The Auditor General recognised in this report, the tremendous progress that we have made on improving our accounts, improving our financial

statements, and making sure that the reports are there so that the people can see exactly how we are spending their money and I thank her Office for doing so.

Where we haven't made much progress is on the EPS. I know there is strong desire from everyone to get it done, I just think maybe we need to, again, refocus on it; but again, like I said, the Financial Secretary deals with this on a daily basis, so at the moment he may know more about it than I do.

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

The Chairman: Go ahead, FS.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you. I'm going to say a few brief words then ask the Accountant General to elaborate. I also feel a bit self-conscious, Mr. Chairman, because I've said the same thing quite a number of times.

The placing of the post-retirement healthcare liability fairly and squarely on the face of the balance sheet of government, because we do actually disclose the amount, our details of it, in the notes to the financial statements of government, but to actually place the liability figure on the face of the balance sheet, we have not done that. For example, we do have the liability with respect to pension liability on the face of government's balance sheet and that figure is around $440 million, the latest one, as at the end of 2023— of course, subject to an actuarial valuation.

We do not have the post-retirement healthcare liability number on the face of the balance sheet, in the liability section, to be subtracted away, obviously, from the assets. That figure, as you said Mr. Chairman, is $2-plus billion consistently every time it's valued, and we do get the devaluation done by Mercer, our actuaries, so completely objective and independent of government.

As you know, Mr. Chairman, one of the ratios in the Framework for Fiscal Responsibility (FFR), is net assets of the government, whereas its assets, less its liabilities have to be positive. Placing the post-retirement healthcare liability figure of $2-plus billion on the face of the balance sheet would essentially take the government's current net assets of around the same amount— $2 billion — to zero. So, any government perhaps automatically begins to panic and say, *"Will placing the liabilities on the balance sheet going to take my net assets figure down to zero? Am I at risk of not complying with that particular ratio?"* That creates a bit of fear and reluctance to actually go ahead and do so. That's a major consideration not just in the current government's thought process, but previous governments as well.

It's also the case, that the measurement of the post-retirement health care benefits impacts the surplus on any one particular year as well. I think in the current report, the Auditor General refers to an annual impact, the most recent one in the region of $150 million, as additional cost to hit the government's financial statements. In past years, we've had surpluses in the region of $100 million and more. In more recent times, we've had much, much smaller surpluses, and Mr. Chairman, for the year ended 2023, the operational surplus of the government, subject to audit, of course, is in the region of $30 million.

If you were to also account not just for the liability figure, but for the cost of post-retirement benefits to be earned in the future, you're looking at a sufficiently large additional cost of well-over $100 million to take away your present surplus and turn it into a loss, So there is the fear that we are not going to comply with another ratio, which says you are ordinarily expected to have a surplus.

It is difficult for a government to take the decision to put this matter fairly and squarely on the face of its primary financial statements, because of the fear of noncompliance with at least two of the FFR ratios, the consequences of which they simply don't want to deal with. Mr. Chairman, as you know, sir, it has been a very difficult decision to take. I think it would be more likely that a government would take such a big decision perhaps at the start of its term as opposed to, say, right now.

Presently, there are other considerations in mind. It's more likely at the start of a new term for a government.

I would perhaps be a little cheeky and ask the Audit Office if they have any suggestions as to how we could bridge the gap between where we are now, and the fear of non-compliance with those ratios as a result of bringing it on to the face of the balance sheet. I think that's singularly the biggest reason why we get the adverse opinion at an EPS level— this one item alone. There are many others listed in the report.

I've said much, Mr. Chairman, without necessarily giving any hope that next year we won't be speaking of this matter [again]; it would be false of me to I'm sorry to inform the Committee.

Ms. Sue Winspear, Auditor General: Thank you, Mr. Chairman, and thanks to the Financial Secretary.

I think I appreciate very much the dilemma and the difficulty, but a couple of comments to make that spring to mind from what the Financial Secretary just said.

Firstly, the fiscal framework, whether it's actually declared in the Balance Sheet or Financial Statements or not, it is part of the fiscal framework. Hence, if the fiscal framework is broken, the fact that it's not divulged doesn't mean that it's not an issue for the fiscal framework because it is a liability and that's the point; it's a liability that's not been disclosed. Absolutely accepting the issues that the Financial Secretary said.

The other comment I'd make is just drawing it back to the earlier questioning around section 47(3) of the Public Authorities Act because if all the Statutory Authorities end up with the same health care and pension benefits as the Civil Service, it will just increase the amount and the deficit will get bigger and bigger and bigger.

Hence, I think there's a really big policy decision that this Government or a future government at some point will need to face; but not disclosing it doesn't make it go away.

The Chairman: I do have one further question either for the Deputy Governor or the Financial Secretary. Has the UK ever raised this as an issue with the Ministry of Finance or with the Government?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman. I think it's better for me to attempt to answer than the Honourable Deputy Governor.

Mr. Chairman, just to say that in terms of disclosure, the Auditor General is right. It's not disclosed on the Balance Sheet of the Government, but certainly, it is a part of our Notes to the Financial Statements, so disclosure does exist.

Mr. Chairman, the answer to your question is, given that those Financial Statements are available to the UK and we've stated a surplus on the face of them— which could be whittled away and turned into a deficit if you take into account full cost— I've never had the UK Government question it and say to us, *you have a loss situation here and not a surplus, your net assets are zero or negative and not $2 billion plus positive*. I've never had that feedback from the UK.

The Chairman: Thank you. Any further questions on this?

Mr. Hew.

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

Through you to the honourable Financial Secretary: I've heard in the past, discussions about a creating a “sinking fund” to deal with this liability. What are the hurdles in achieving that or what are the negative impacts of perhaps even the accounting dressing on creating a sinking fund with the goal to balance this this liability?

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

Mr. Chairman, I like the idea of the sinking fund. It's something that takes a long time to obviously get the benefit, but I would also recommend that something such as the sinking fund is coupled with a different approach so that this kind of benefit is not something that's in place for new civil servants because that would allow us to start reducing the liability and chipping away at it while covering the backlog of the build-up of liability that we have right now. If we do a combination of both, I think that would actually be an effective approach for reducing this over the long term.

Thank you, Mr. Chairman.

Mr. Joseph X. Hew: Thank you, Mr. Chairman. Through you: Thank you for the response. My only response to that is I've been an elected Member for 13 years, so we could have started 13 years ago and we'd be 13 years down the road. We have to make a decision at some point to address the elephant in the room.

The Chairman: Let's turn now to the final area we wanted to examine with the Deputy Governor and that relates to the Sister Islands Affordable Housing Development Corporation. I turn now to Mr. Hew to lead that line of questioning.

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

Through you, sir to the Honourable Deputy Governor: the Sister Islands Affordable Housing Development Corporation did not meet its objectives of building or selling homes for four years from 2019 to 2022, that being its primary objective. In the 2020 report, the Auditor General recommended that the Government considers whether the Sister Islands Affordable Housing Development Cooperation should continue as a separate entity. The recommendation was also repeated in 2021 and 2022 in the general reports. My question to you, Deputy Governor is, what are your views on the Sister Island Affordable Housing Development Corporation continuing to operate as a separate entity given the lack of value provided to the public; according to this report?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, thank you.

Mr. Chairman, I don't think I have a view on this to be truthful. I have given the matter some thought and read what the Auditor General has said. I mean, this really is a political decision to be made as to whether the two should be amalgamated. The thing that I think I'm responsible for is to make sure that we respond so that the Auditor General knows what policy decision has actually been taken. Again, I will give that undertaking to talk to our elected officials around this area and make sure that we get a decision one way or the other as to whether the two entities should be amalgamated or whether they should remain separate.

Mr. Joseph X. Hew: Thank you, Mr. Chairman. I thank the Honourable Deputy Governor for that response.

Honourable Deputy Governor, what is the process for holding a public body accountable if they have been granted the funds from the budget to carry out their mandate? Where do you get involved in saying whether this is a political decision? What is the process

for ensuring that the political decision has been made, the funds have been budgeted, and that they carry out the goods and services that they are mandated to?

The Deputy Governor, Hon. Franz I. Manderson: Just so I can clarify. I don't think this is a civil service entity, is it? It's a corporation, isn't it?

Ms. Sue Winspear, Auditor General: Yes.

The Deputy Governor, Hon. Franz I. Manderson: Again, like I said, I have a lot of responsibility but when it comes to authorities and corporations, those are outside of my remit as the Head of the Civil Service, but the member has asked a good question.

Again, that is a matter for the Ministry. The Ministry would look at why that is not happening, the Minister and the Chief Officer would have the discussions around '*well, if your job was to build 10 houses, you were given the money to build the 10 houses, why didn't you build the 10 houses*?' Those are matters that would be dealt with at the Ministry level. I don't have the details here to give any additional information on that, but to answer his question directly, that would be a matter for the Minister and the Chief Officer to deal with.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, if I could help by just adding on to what the Honourable Deputy Governor said. That is, that the normal process for the relationship between any SAGC, which the Sister Islands Affordable Housing Cooperation is such an entity, and the Government is, as you all would know, the process of equity investments. The Government would place in its budget "X" dollars to give to the Sister Islands Affordable Housing Cooperation, to the National Housing Development Trust and so forth; and would set out those equity investments as a part of its budget.

When a statutory authority would want to make use of those funds, it would write to the responsible Ministry and attempt to use and draw down those funds. If those funds are actually handed over to an SAGC and they don't use those funds in accordance with what they were purporting to use them for, that is a serious problem because that would clearly be wrong. I'm not 100 per cent certain of the situation with the Sister Islands Affordable Housing [Corporation], whether they actually received funds from Government and didn't apply them properly; I don't know that particular relationship. I don't remember funds being budgeted to the organisation for that purpose, and I'm obviously open to being corrected.

However, that's the process in which Authorities are held to account for doing what they set out to do, they would have to justify their request for budgetary funding and would certainly need to demonstrate proof afterwards that they've actually done so, otherwise it would be a serious breach and would be worthy of an investigation.

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

Through you, to the Deputy Governor: I know that we have the Deputy Director of the Central Procurement Office joining us after this, but Deputy Governor I wanted to raise a question of procurement with you.

There are some of these transactions in the report without approval by the Public Procurement Committee (PPC) for statutory authorities, et cetera, but there are a couple there within Ministries. In reading the report, I can appreciate that there are probably some of these where it's a single source or specialised (area)— I think we used the Cayman Airways pilots earlier as an example of where there's no comparison, et cetera to make these decisions— but within the Civil Service— you and I have had discussions in the past about the inconsistency and requirements for whether you need a strategic business case and an outline business case and whether that is one page or 150 pages.

Is there a way that Ministries who need equipment or services urgently… I will use one that we laughed about with the equipment to pick up the sargassum on the beach, by the time we got approval for it the sargassum was gone and the vehicle was sold. I wanted to get some feedback from you on these topics. I don't need to get into details because you're very much aware.

Also, to raise—and you can address it if you wish—some of the issues that we are seeing and the public is bringing to my attention where the system is being abused to make life easier for the civil servants. In other words, they find a supplier overseas that has made it very easy for them and assisted them and rather than seeking a local or putting it out for tender, they would just rather use that provider and possibly just because it made sense for them because it made life easier.

Also, another issue where I was told that a local supplier, a local representative for a product was circumvented because it was easier for that Ministry to receive a duty waiver if they were purchasing it from overseas rather than locally. I don't know if you have the ability to but I know that you are aware of the challenges there. If you could comment on those for me.

The Deputy Governor, Hon. Franz I. Manderson: Yes, Mr. Chairman, thank you and thanks to the member.

Mr. Chairman, firstly, I think we have an excellent procurement system. It is, I think, the envy of many countries in the region. I had a meeting with my fellow Deputy Governors last year, we had members from our procurement office to come and educate them about the procurement system that we have. Many of them want to adopt similar laws and policies and procedures in their jurisdictions.

To answer your question: I can say that I think that the system is clear, we have a really good Procurement Act and really good staff in the procurement office who is always willing to help. You're going to hear from the Deputy Director and I think he will tell you that they have good resources to be able to assist Ministries.

In addition, my Office has been doing a lot of training for civil servants on creating business cases to make sure that we don't have to outsource them often, that we can do them in house. That course runs almost year-round, it is well subscribed, and from where I sit, I'm seeing a lot of interest. The Auditor General has been saying this repeatedly over the years in terms of the importance of a robust business case. It's almost like trying to build a house without house plans. If you get the plans right, if you get the business case right, chances are you're going to do a good procurement that has value for money. Thus, I think all of the systems are there.

I had a very detailed look at the instances that were flagged in the report where the Procurement Act was not followed. I've had conversations with all of the Chief Officers involved and they have given me explanations for why things didn't happen the right way. In some cases, for example, there were some missing documents that were not supplied that should have been supplied to the Auditor General; they were not available. In one case, the Ministry of Education was flagged for janitorial services. The janitorial services had been provided at what was the George Hicks campus and when we moved to the new John Gray Campus, they extended the contract that they had in existence. Technically, they should have done another procurement because it was a much larger contract. There were some technical things that we didn't do correctly. We are now rectifying those issues.

There were some lessons to be learnt. I thank the Auditor General for flagging them. You can't solve a problem unless you know it's there. From where I sit, I have looked at these instances, there were instances where we could have done better, but like I said, the good news is that we acknowledge when things don't go right. I'm not here to make excuses at all.

From time to time, we do thousands of procurements in the civil service and we are talking about a very small handful here, but it's the people's money that we are spending and they have a right to know that they are getting value for money. That is a huge onus on us within the Civil Service. This is not an elected official's responsibility, this is our responsibility. Civil servants deal with procurements. Ministers do not get involved. We have to own this and acknowledge that in these cases we were not at our best and then learn from that to make sure that we don't make these mistakes again.

I am confident having gone through all of the documents and spoken with all the Chief Officers that we have learnt some lessons and that we will get it right going forward.

Mr. Joseph X. Hew: Thank you, Mr. Chairman. I thank the Honourable Deputy Governor for that detailed answer.

My final question Honourable Deputy Governor is— and I would appreciate from a budget perspective you would need political buy-in— what is your position on the role that Government plays in keeping things such as minimum wage in tune with inflation through procurement? Examples are janitorial and security services, where quite often the contracts, the highest number of points gained is based on costs. If you work those contracts back because they are hourly contracts, you will see that the person winning the bid is usually at minimum wage or sometimes questionable how they can do pension, insurance and still meet minimum wage and win that contract at that price. It's quite easy if it is 20 hours and it is $300, you just divide $300 by 20 and you know what the hourly rate is that the Government is paying?

Where I'm trying to go with this is, do you have a view on the role that the Government plays in keeping minimum wage and the lower spectrum of the salary scales at pace with inflation?

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, I would need some time to reflect on that. I think it's a very good question. I can't say that that is being done. I'm sure when the next witness comes up he may be able to expand on that. I would need to give that matter some thought, Mr. Chairman. I don't really have a detailed response right now. I would have to do a lot of thinking and consulting with the team around it because I agree with what you're saying, I just can't tell you that we have something in place to fix it.

The Chairman: Are there any other questions for the Deputy Governor?

Deputy Governor, I thank you on behalf of the Committee for being here this morning and for answering questions that were directed towards you. I think we kept you a little bit over time but it's been good discussion and I saw some useful things coming out of it as well. So thank you, sir and we'll excuse you at this time.

The Deputy Governor, Hon. Franz I. Manderson: Mr. Chairman, thank you and members also.

I have made some notes here; I think I owe the Committee some updates which I will provide in short order, so thank you very much again.

[Long pause]

The Chairman: We're going to take a five-minute suspension while the other witness is making his way into the Chamber.

Committee suspended at 11:54 a.m.

Committee resumed at 12.01pm.

The Chairman: Proceedings are now resumed.

At this time, I acknowledge the presence of Messrs. Kenneth Jefferson, Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development; Matthew Tibbetts, Accountant General in the Ministry of Finance and Economic Development, and Robert Tatum, Deputy Director of the Central Procurement Office within the Ministry of Finance. Gentlemen, once we get started, whoever is going to answer the first question, I would really appreciate it if you could please state your name and position so that it can be officially recorded.

We will begin questioning the Financial Secretary (FS). I would say to members of the Committee, and to the public at large, that much of what we had to question you and your team about we already discussed this morning while questioning the Deputy Governor. Your contributions during that time also answered some of those questions, so we are going to shorten things up by eliminating those questions and those sections, as we feel that we obtained adequate explanations and there is probably nothing further that you could add.

I'm going to turn my attention, FS, to the quality of the financial statements that are produced.

The Auditor General reported that, "**The quality of financial information submitted to her office by the public bodies needs improvement. This is demonstrated by the number and value of audit adjustments made to financial statements after they had been submitted to her office for audit. In 2022, 280 audit adjustments, valued at $115 million were made by all public bodies. This means that decisions could have been made based on inaccurate financial data during the year.** Additionally, **internal controls for most public bodies need strengthening and accounting policies are often inadequate."**

The Auditor General added that "**Public bodies seem reluctant to disclose sufficient detail about certain matters in their financial statements, until her office raises issues**. **Standards are designed to drive transparency and assist users' understanding of the financial statements. Public bodies can do more to ensure adequate disclosures relating to issues such as severance payments, subsequent events, commitments, segment reporting, and budget variance explanations."**.

Mr. Jefferson, what is your understanding as to the root cause for the significant adjustments made to the financial statements and their inadequate disclosures?

[Pause]

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman. Kenneth Jefferson, Financial Secretary and Chief Officer in the Minister of Finance and Economic Development. I am sorry for the delay while conferring.

I would start with acknowledging, Mr. Chairman, that it certainly is not a desirable position for the civil service to demonstrate a need for 280 adjustments of the magnitude of $115 million. In plain terms, it is not good and it demonstrates that all is not necessarily well. I'm going to ask the Accountant General to speak shortly as to the root causes of such number of adjustments and the magnitude of them. I don't necessarily actually know the root causes of it.

One possibility that springs to mind might be simply an attempt to meet the audit deadline. Most years it's important that we get the financial statements to the Auditor General by the 28th February, two months after the 31st December year-end. That may be some element of why those adjustments need to be made. Simply the temptation to meet the deadline. I'm going to ask the Accountant General, if he's aware of some broad and specific reasons why that is the case.

Obviously, Mr. Chairman, some adjustments are necessary in the normal course of accounting— adjustments for provisions for doubtful debts, et cetera. Those are expected, but I certainly wouldn't expect them to be 280 [adjustments] totalling $115 million.

The Chairman: Accountant General.

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

Matthew Tibbetts, Accountant General.

Mr. Chairman, obviously, there's a number of reasons for these adjustments, but one could be the valuations of the real property of the Cayman Islands Government. That's a massive exercise we carry out every 3 to 5 years, which would actually have large dollars attached to the adjustments. The $115 million could be made up of a good portion of the property valuation adjustments, and it would be a large amount.

In regards to fixing the issue going forward, the Ministry of Finance conducts training every year for the CFOs in regards to financial standards. What we are happy to do this year is to look through these adjustments, and see how we can best cater our training to ensure that we tackle these upfront, so that the CFOs provide better quality information to the audit office on submitting their accounts. However, as the Financial Secretary stated, due to the timing of having to submit your accounts two months after the year-end…

With regards to the various cut-off dates that we have, because we're such a large organisation, there can be situations where CFOs do not provide the best quality information in the first go-round. That is something unfortunate that we will look to improve with the CFOs through training. If the Auditor General's Office would like to work with us in regards to addressing these specific areas, we are happy to look at those.

The Chairman: Auditor General.

Ms. Sue Winspear, Auditor General: Yes, thank you Mr. Chairman, through you.

Thank you, Accountant General, we certainly will do that. I think from our perspective, it is a variety of things. There are some entities where I think there is definitely a training need, and it feels like… putting it bluntly, the audit is used to kind of iron things out. That's a minority.

Pension and healthcare valuations can account for big value variations at the end, but less so, actually, the property revaluations this year; so, it is a variety of reasons, some of which are understandable, some of which we would be happy to work with the Accountant General on trying to improve.

Thank you.

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

The Chairman: Go ahead, Mr. Tibbetts.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, thank you, through you.

We're happy to hear the Auditor General is willing to work with us in regards to addressing specific needs. As the Auditor General stated, if there are specific Ministries or finance teams that need more assistance, we're happy to assist with actually getting them specific training catered to their needs, or if it's resources that they need assistance with, we can work with them to get those resources as well.

Thank you, Mr. Chairman.

The Chairman: FS, if I could ask you: What is the role of the Ministry of Finance in providing leadership and improving the quality of the financial statements and their related disclosures?

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

Mr. Chairman, definitely, the Ministry of Finance is seen as a leader when it comes to the preparation of government's financial statements, and Ministries, Portfolios and Offices look to the Ministry as the lead organisation to guide them. Recently, we certainly get involved in providing training on different aspects. As an example, the Auditor General Report speaks to upcoming accounting standards coming into effect, that are going to affect the 2023 and perhaps even the 2024 financial year, so the Ministry got training courses and hired one of the big four accounting firms to provide advice on them.

Mr. Chairman, it is generally the day-to-day financing functions of the government that we get queries on quite frequently from Ministries, Portfolios and Offices. If they're not certain how to treat a particular area they'll phone the Ministry, and as you would know, Mr. Chairman, they look to us to guide the valuation of the fixed assets process, which is quite an extensive one.

In particular, the Papers that go to the Cabinet which require additional finances for the government. Those papers have to include a section captioned, "Financial Implications of the Request Being Made", so they routinely come to the Ministry of Finance for input into the paper which then gets submitted to the Cabinet, and it actually takes quite a bit of time for the Ministry. Obviously, it is something that we welcome, and which the government as a whole takes seriously.

Those are some examples of what we get involved with, and yes, you are correct in that we are seen as the leader and we will probably have to field whatever query is in existence at the time.

The Chairman: Thank you. You said that you get involved in training, and you gave the example of hiring outside expertise to deliver it but does the Ministry itself deliver training to the broader civil service, in terms of CFOs and related staff, on financial standards and reporting?

[Pause]

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, I'm happy to take this question if it's okay with you.

When we have new standards, the Ministry of Finance tries to coordinate training for them. The Audit Office will be familiar with training we just provided on IPSAS 41 which is just coming online for the 2023 Financial Year. We coordinated training for IPSAS 41, and we issued a guidance document for IPSAS 42, as well, so the Minister of Finance is involved in looking at new standards coming out and providing guidance to the civil service finance teams.

Special thanks to the Audit Office, because they encouraged us to also roll out the portions of that training that relates specifically to the SAGCs. We will be rolling it out to assist them with training and giving them the same template, so that we can ensure that we are all on the same page.

The Chairman: I appreciate that. I was more so looking for information from you with regard to whether you actually deliver training or do you always use a third-party entity, such as another accounting firm, to deliver the training?

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

The Ministry of Finance and Treasury works along with the Cayman Islands Institute of Professional Accountants (CIIPA) to deliver training. In the instance I referred to, in regards to the specific accounting standards, we worked with one of the big four accounting firms to provide that training for us, but the annual updates are generally provided in coordination with CIIPA.

The Chairman: I guess it is something I know from my former life. In terms of the number of hours of actual continuing education training, does the Ministry provide up to, say, 40 hours of training a year, or make it available to those who are qualified and in need of that continuing education on an annual basis?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, the Ministry works with CIIPA to provide specific training on the Independent Parliamentary Standards Authority (IPSA) standards, and we also receive training from CIIPA through their broader training programme, which happens annually in December.

We don't provide the full 40 hours with our training of the standards, so CFOs will need to register with CIIPA for separate training as well to make up the full 40 hours— or if they have other training courses, they can also sign up for those online in order to achieve the 40 hours.

The Chairman: A final question then: In terms of providing continuing education, those words, "not provided by the Ministry"— would the government pay for those external courses that are needed?

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, we don't have an overall policy saying a Ministry has to pay for their finance teams to receive continuing education; however, each Ministry can do as they decide, and what they can afford and so on. In the Treasury Department and Ministry of Finance, we cover the annual fees for the Certified Public Accountants (CPAs) and/or Chartered accountants (CAs) and so on, as well as we try to cover the training as much as we can.

The Chairman: Any other questions on this?

[Inaudible interjection]

The Chairman: Right. I have to make sure I move to the right Section.

[Pause]

The Chairman: The next topic is backlogged audits, and for that, I'm going to turn to Ms. Heather Bodden.

Hon. Heather D. Bodden Deputy Speaker: Thank you, Mr. Chairman. This question is directed to the Financial Secretary.

Once again addressing backlogged audits: The audits of five public bodies, including EPS (Entire Public Sector) for the 2022 financial year are ongoing, or backlogged— five audits for 2022, four for 2021, two for 2020 and 2019. The Minister of Health and Wellness has been in backlog since 2018, and the Cayman Islands Airport Authority has been backlogged since 2019.

Can the Financial Secretary [share] the concerns and risks arising from the backlog audits for the Ministry of Health and Wellness, and the Cayman Islands Airport Authority? What are the plans to get these audits up to date?

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Member Bodden. Certainly, I understood it to be directed at me.

Mr. Chairman, as we heard from the Deputy Governor in respect to the Ministry of Health, he is fairly confident that matters are in hand, sufficient staff are in place, to advance the completion of a number of years' incomplete audits for that Ministry.

In terms of the Airports Authority, I don't quite know the situation there. I can say that, if it is a situation in which the Ministry of Finance can offer any assistance, we are more than happy to do so; but I don't know the specific reasons why we are in this situation with the Airports Authority. I heard, obviously, what the Auditor General said in respect of the matter, but apart from encouragement, and our willingness to assist, I don't know what [else] the Ministry of Finance can do.

I also acknowledge, Mr. Chairman, that this is an important area for us because the report makes it clear that the existence of backlogged accounts raises questions about accuracy and details when it comes to consolidation. If it were only *one* entity that was outstanding, provided that such entity was significant to the whole of government, the fact that its audit is incomplete, would cause the Auditor General to doubt the accuracy of the whole of the government's accounts. So, the Ministry of Health and the Airports Authority being a number of years behind does pose a problem for what is referred to as "the entire public sector accounts", in terms of the accuracy of those numbers.

It raises questions, so it is important that those audits be completed, and we are more than willing and happy to give whatever assistance we can. Apart from that, I don't know what more we can do to advance it. I think the Accountant General wants to add to the [answer].

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, further to the Financial Secretary's comments.

It is important to note that the entire public sector accounts are simply a consolidation of all of the entities within the public service; so when the Ministry of Health and CIAA's accounts are backlogged, it has a knock-on effect on the Auditor General's opinion of the quality of our accounts. Obviously, it is one of the reasons for their adverse opinion of the EPS.

[This is] my view regarding the backlogged accounts— and I'm happy to hear the Auditor General's views either now or offline, in regards to the way forward. Back in 2008, I believe it was, we (the government) decided to skip over, or disclaim, most Ministries' accounts for a three-year period to allow us to stop the bleeding; allow us to focus on the current year to ensure it was accurate. It meant we had some issues with opening balances for a few years, but over time we got those cleaned up as well.

I know the Auditor General has said that now they have some hope, and are a bit more optimistic, that the Ministry and CIAA have finance teams that are well-resourced, and I'm happy to have a discussion with her offline to see the best way to approach it; but my personal view is that from 2019— we are now in 2024, so that's four or five years late—the value of the information coming out of those Ministry of Health reports would have very limited value at this point.

Obviously, I would want us to do some kind of checks to ensure that there was not any blatant fraud, theft, or misappropriation of assets, but in my opinion, it would be valuable to just disclaim a number of years and get us caught up with those Ministries because otherwise, we are just continuing the current cycle where we continue to be backlogged in these two specific entities which are really holding up the entire government and the EPS accounts.

I'm happy to have a discussion with the Auditor General offline and see the best approach, but I am strongly of the view that we should just disclaim these entities' accounts for the previous years, and focus on the current year to try to get caught-up, as obviously, the current accounts are much more valuable than five-year old accounts at this point.

Thank you, Mr. Chairman.

Ms. Sue Winspear, Auditor General: Thank you, Mr. Chairman, and through you to the Accountant General.

I have much sympathy for the position just put by the Accountant General. Obviously, issuing disclaimed audit opinions is a very significant thing to do, and that will be very impactful on those two entities. The decision to continue is, of course, one I can take, but one where I need to be mindful of other stakeholders. It's good that the Accountant General is supportive, and I'd be genuinely interested in the position of this Committee, because there are pros and cons.

As the Accountant General has quite rightly said, it means that when you pick up again, you'll have problems with opening balances and we would, obviously, need to do a certain amount of work to ensure there's no fraud missed, but so absolutely agree with everything the Accountant General has said. It's not an easy one.

We put a backlog audit team in place after we were requested to do so, because we knew that once we got into the busy season, we had to park the backlogged ones and focus on the current ones, but we've had a team in place for about 18 months now, and yet still, we're in a position where we've now agreed and signed off on Ministry of Health's 2018. We are nearly there with the Airport Authority's 2019, but nothing is moving quickly.

It's a temptation. I believe they've just recruited additional staff in the Ministry of Health, so perhaps it's not quite the right time, but I'd be genuinely interested in what the Committee thinks as well.

The Chairman: I can tell you my personal view. I've had that discussion with them in the past that the utility of a set of financial statements that old is virtually nothing. I see and understand what issues there would be if you do it and you go forward— issues on the opening balances, et cetera.

If you're going to get an unqualified opinion, you'd have to work on those opening balances in order to ensure that the full financial statements that you're auditing, the numbers that you're working with, are good. Personally, I'm keen to see this advance. What I would ask you, though, is who would make that decision?

[Pause]

Ms. Sue Winspear, Auditor General: Me.

[Laughter]

Ms. Sue Winspear, Auditor General: That's why I genuinely welcome. I mean, I have much sympathy. I completely agree. The value of old statements is minimal. As I say, there are other stakeholders than just those of us that are in the room now, but I also appreciate getting the view of the Committee through you, Mr. Chairman.

The Chairman: Mr. Hew.

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

I agree with the Accountant General. I mean, the amount of resources and money put into trying to catch up on these reports, where basically what you're getting at this point is an autopsy, versus if we put our time and effort into the current reports, we have a diagnosis and something we can work with.

I fully support it because as the Auditor General just said, it's been 18 months of full effort and we are at 2000-wherever; 2020.

The Chairman: Do other members have a view?

Mr. Joseph X. Hew: It is still five years behind.
The Chairman: I see members of the Committee shaking their head, so I think it is fair to say that there will be a recommendation coming in our report.

The Chairman: Ms. Heather, do you have more questions to ask?

Hon. Heather D. Bodden: I just wanted to confirm with the Financial Secretary that the Ministry of Finance's role is in supporting these backlogged audits.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, sorry, if I could ask the member to perhaps elaborate on what she means. Certainly, if the question being asked is, is the Ministry of Finance willing to support? Then that is the case, the Minister of Finance is absolutely willing to offer whatever assistance it can to get the backlog cleared away.

I was hesitant a bit there because I couldn't quite determine whether the question was, do we support a disclaimer that we just spoke about of these earlier years? I think of the two, we would probably go for a disclaimer of those years and just move forward with as clean a start as possible, bearing in mind the issue it will give, which is opening balances. How do you know in 2024 that the balance for a particular item on the Balance Sheet is accurate or not? That exists, but of the two I would say that we would go for disclaimer. If that's not the answer, then certainly, yes, whatever we can do to assist with the clean-up, we are more than willing to do.

Hon. Heather D. Bodden: Thank you very much, Financial Secretary. That's exactly what I was looking for.

The Chairman: Any other questions?

[Pause]

The Chairman: We're now going to turn our attention to 'noncompliance with the Procurement Act and Procurement Regulations'. For that, I'm going to turn to Mr. Hew to lead the questioning.

Mr. Joseph X. Hew: Thank you, Mr. Chairman; through you just some background: the Public Management Finance Act and the Financial Regulations require that all public bodies comply with all applicable Acts and Regulations. As such, public bodies must comply with the Procurement Act provisions in all procurement transactions. Now, I know earlier the Deputy Governor gave some explanations but it still was disappointing to note that in many instances of non-compliance with the Procurement Act and Regulations by public bodies examples varied from some undertook procurement without obtaining approval from the Public Procurement Committee, while others awarded contracts directly without business cases to justify this.

What I would do is perhaps ask this question first to give the witnesses an opportunity to provide some background and ask them, what is the role of the Central Procurement Office and the guidance and support issued to public bodies in procurement matters.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, thank you. I'll ask Mr. Tatum who is the Deputy Director of the Central Procurement Office to answer Member Hew's question.

Mr. Robert Tatum, Deputy Director, Central Procurement Office, Ministry of Finance and Economic Development: Good afternoon, my name is Robert Tatum, Deputy Director of the Central Procurement Office in the Ministry of Finance and Economic Development.

Through you, Mr. Chair to the Member: Thank you very much for the question. The role of the Central Procurement Office is actually laid out in the Procurement Act. We have 14 specific things that we're supposed to be doing. The main ones, the ones that I would say we spend the majority of our time undertaking are the development and implementation of things, like templates to allow for people to carry out the process without having to be a procurement professional themselves. So, the template builds in a lot of the things that the professional would know and you just have to fill them out as the technical individual.

We also do a lot of training within the organisation, those training [sessions] are actually publicly available. The dates and times are issued on our website. We do a lot of them via Zoom and some in-person, so if members of the public, for instance, want to join a training [session] to see what we're doing or saying, that is perfectly fine.

We're also responsible for providing an electronic platform for procurement, which we've done for the last few years through our system known as Bonfire, that's the system through which we are able to conduct a lot of compliance checks and pull statistics to see how things are going.

We also advise Chief Officers, as well as the Entity Procurement Committees and the Public Procurement Committees, should they have any questions about what is or is not allowed. The Public Procurement Committee is probably the main area where we give advice on a regular basis as they meet once a month to review the larger value projects, so any projects with a value of over $250,000.

If there are any other questions you have in terms of our role, I'd be happy to provide that.

Mr. Joseph X. Hew: No, I think it was useful to get that comprehensive overview on the role as we move forward.

Can you also provide what you would consider the root cause for public bodies not complying with the Procurement Act?

Mr. Robert Tatum, Deputy Director, Central Procurement Office, Ministry of Finance and Economic Development: Through you, Mr. Chair: there are a few different things that we have identified. If we speak to the items, particularly in this report, a lot of the services are what you would call continuing services, like janitorial, security and maintenance.

The procurement process itself takes a certain amount of time to complete, so you may be in an existing contract which is fully compliant but if you do not start the procurement process in time for that contract itself to expire, you are going to be in a non-compliant state until such time comes that you've undertaken all of the steps required such as a business case, the public tendering process, the evaluation, the committee reviews and approvals. Thus, speaking to the root cause of non-compliance, that would definitely be one of them, simply the procurement is not starting soon enough in order to complete the process prior to the end of an existing contract.

Mr. Joseph X. Hew: Through you, Mr. Chairman: Thank you for that, and I can appreciate that.

Earlier, we had some explanations from the Deputy Governor as well. Understanding that and understanding that you have instances of continuation of services or transfer of services, et cetera, what actions or recommendations has the Central Procurement Office done to address these instances?

Mr. Robert Tatum, Deputy Director, Central Procurement Office, Ministry of Finance and Economic Development: Through you, Mr. Chair: We've done quite a bit of training as well as provided some specialised templates, particularly for those services. One of those that we're trialling is with janitorial services; so instead of providing just a blank template that doesn't speak to any particular subject matter, we have provided templates that speak to that subject matter which will allow them to be filled out and completed a bit quicker.

We've always, of course, given advice that you should start as soon as possible. Each requirement of the Procurement Act typically is a gateway to move toward a further step, so if you have a contract that's going to expire, you can write a business case for that as soon as you have an approved budget or approved funding source. You don't necessarily have to then undertake the procurement immediately thereafter. If you have a contract, for instance, ending in June of this year, you can have an approved business case now that will allow you to then undertake the procurement when you need to, to become compliant. What happens is once it's identified or once someone picks it up, they may start the business case process at that point, and that process can take anywhere from a week to a month depending on who's writing it, if they have the required information to write it, or if they need to go seek that from stakeholders in order to get just that first step completed.

We've taken a couple of different steps like I said, the training is probably the single biggest one. We try to breakdown our training into each individual step because we know procurement itself outside of our office is not the most exciting task in the world, so we try to keep our training concise and on a specific topic such as business case development or tender document development and these sorts of things.

Mr. Joseph X. Hew: Can you provide some insight to the Committee on single sourcing? I take it from a perspective where there are times when there may be an emergency piece of equipment and it's available and the equipment is needed now, it's not needed two to six months down the road. Then there are other circumstances where perhaps it is software or services that fall in line with the objectives or the requirements of the Ministry or the Agency. How are those managed and how is that determined?

Mr. Robert Tatum, Deputy Director, Central Procurement Office, Ministry of Finance and Economic Development: Through you, Mr. Chair: The sole sourcing or as it's known in the Procurement Regulations, a “direct award” is covered under Regulation 5. What Regulation 5 does is lays out the conditions under which a direct award is allowed and then once it is identified, needs to be supported with the additional information to show that it is actually a legitimate direct award.

A direct award is a viable procurement route. There's no issue necessarily with a valid direct award, but it still needs to go to the appropriate committees. Hence, a direct award still requires a business case if it's at the appropriate threshold; the threshold in this case is $100,000 or greater. If it's $250,000 or greater, then that needs to go to the Public Procurement Committee. The direct award requires a review prior to recommendation to a Chief Officer and the Chief Officer would then have the ability to sign that off as a direct award.

The Procurement Act (2023 Revision) section 3 covers all of the exemptions to the Act so for instance, the purchase of land is one that wouldn’t go to the Public Procurement Committee even though it's a purchase.

If it's an emergency, there's a difference between the emergency procurement and your standard procurement process. Emergency is defined in the Act and if it's a genuine emergency—there are, I think, three definitions at the moment. One of those being that a state of emergency is actually declared, that there's a threat to life, and another is a threat to property or something along those lines; that decision to treat a

procurement as an emergency would also have to be taken by the Chief Officer. If a procurement is deemed to be an emergency procurement, so it meets that definition, then the requirements of the Procurement Act and Regulations fall away besides the requirement to show value for money. When I say fall away, it means you can pick and choose which parts of the process you are going to follow to identify value for money. You may skip the business case stage or the public tendering stage if you elect to, once at the end of the day you can show whatever you have done is value for money.

Thus, if it is a genuine emergency, there isn't a hold up, if you want to call it that, in terms of walking through every single step; that would also eliminate the mandatory requirement for the various committee reviews so if you couldn't make it to a PPC meeting in time to make a purchase, these sort of things would not be deemed as a non-compliance. Those would be things, for instance, if it was picked up that a purchase was made without going through the process and the Auditor General's Office went back to a Ministry and said, *why was this purchase made without these approvals*? I would expect that Ministry to be able to say it was made under this emergency provision. Hence, I wouldn't expect those to be items covered in this report, though it's entirely possible that maybe it was made and lack of documentation or change of staff has caused it to be lost as to why it wouldn't be known.

Mr. Joseph X. Hew: Through you, Mr. Chairman: I would like to thank Mr. Tatum for that detailed response. Speaking of value for money, Mr. Tatum, on Bonfire there is a point system where you get certain points for price, et cetera. Is that a standard point system or who sets the point system for the bid?

Mr. Robert Tatum, Deputy Director, Central Procurement Office, Ministry of Finance and Economic Development: Through you, Mr. Chair: the point system for each procurement is going to be set on a per procurement basis so there is not a standard. We will give advice if people ask us how should things be structured, but that will vary significantly based on what you are purchasing. For instance, services tend to have a much lower focus on price because there needs to be a much higher focus on the quality of the delivery of those services, and the delivery of those services depend on experience, et cetera that you need to be able to rate on a scale. It's not just you have it or you don't in many cases.

Goods for instance, tend to be a bit more of the opposite, so you can control the quality of goods by setting your specification and that specification is typically you have it or you don't. Which means that anyone who makes it past that first stage of complying with the specification, you know that you've already controlled the quality of those goods so now you can focus on price to make sure the Government is getting the best value possible.

When it comes to services, the adjustment of those ratios, price to quality for instance, again, will be made at the Ministry or the Department level, but it tends to be spread that way. In services you tend to see a lower threshold, somewhere between maybe 35 and 50 per cent seems to be the average that we'll see for services sometimes even as low as 25 [per cent] depending on how specialised those services are.

Mr. Kenneth Jefferson, Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, if I could just add a bit more on to what Mr. Tatum just said, and to say thanks to Member Hew for asking that very important question. It just brought home to me what we recently experienced in Finance, which is a Ministry, Portfolio or Office has to take care in specifying the award of points in what areas it covers because when we went out to tender for the procurement of services relating to outcome budgeting, for example— without giving away the game— it ended up that the bidder with the lowest cost was actually, in our view, probably unable to do the job as well as we wanted. Their cost was lower because they had set aside a lower number of hours to do the task and we felt that that was inappropriate for the task at hand. Yet the points that they got as a result of having submitted a low cost, those points were quite high. Therefore, the general message I would like to get across the Ministries and Portfolios is, be careful what you specify in terms of how you want to go about awarding services, how you want to go about rewarding or picking your particular procurement. Lowest cost is not always the best outcome.

Mr. Joseph X. Hew: Through you, Mr. Chairman: Thank you for those responses. I agree, because in many instances providers will go to great efforts to make an orange look like an apple until you bite into it and you find out it's an orange; maybe even a bitter orange too. Just out of curiosity if I could ask the Deputy Director: are we still doing reverse auctions; and if we are, are you finding those beneficial?

Mr. Robert Tatum, Deputy Director, Central Procurement Office, Ministry of Finance and Economic Development: Reverse auctions are still a part of the Procurement Regulations so they are allowed. As far as I'm aware, one has not been done in quite some time. However, there is another system we call the “best and final offer” which accomplishes a similar outcome of allowing the top vendors from a process to then compete on pricing alone in a secondary stage. That tends to be much more suitable for things like services because you want them to consider where they are cutting those costs so that we aren't just going back to them saying, ‘*please lower this’,* and we don't have an understanding of where those savings are coming from. That could be fairly detrimental.

The reverse auctions tend to be best placed for goods, again, because of being able to set your specification and control the quality. If I purchase an iPhone for a dollar or $1,000 it's the same iPhone. However, if I purchase services at a dollar or $1,000 you don't know, there's normally a significant disparity in quality there.

The reverse options are still allowed and we still have a system that allows us to run them. We have had some discussions with the Director— who sent his apologies for not being able to be here— around trying to get the goods back into play. The decision on whether or not that is done is up to the procurement entity as well and it adds a time aspect to that.

The reverse auction is a system where you have to get to the end of your initial evaluation, have a top three or a top four or at least a few bidders to participate because it's a live system. So, if you only have one bid you can't do reverse auction. Also, you've got to set aside time to do a bit of training with the vendors so that they understand how to use the system when the time comes. Just the use of the reverse auction may produce savings, but it would definitely increase the amount of time it takes to run that procurement so because it's an optional requirement at the moment, it tends to get skipped or decided not to be done just because of the time component and being able to get the approval done and get to receive those goods.

One thing I wanted to add from the previous question is, the evaluation process is cumulative; so, a vendor that has not met a pass or fail requirement will not move on to the next stages which would include pricing. Therefore, for entities that have set those pass or fail requirements fairly stringently and have thought through things that they absolutely need to have, if they (the vendors) are not providing it as a part of their submission, it doesn't matter what their price is or how low it is, they would not advance to that stage. So, that's just something to take into account.

If someone has made it all the way to the last stage, which is the consideration of pricing, that is typically an indication that their submission was strong enough to get to that stage, though obviously, sometimes the pricing itself will reveal things that we were not aware of because the way that our system works is the pricing for vendors is protected until the rest of the evaluation is done. No one within the system, not even the Central Procurement Office, can access that pricing until action is taken to release it. It's time stamped, [shows] who released it, when it was released and if the other evaluation was completed prior to the release. So, in the majority of cases, we aren't aware of pricing before making all the other bits of the assessment, so sometimes pricing will reveal that some things may have been missed or not caught in the proposal. However, I would say the majority of the time the vendors that make it to the pricing stage are at least a suitable proposal for what we're asking for.

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

Through you: no further questions. I just actually want to thank Mr. Tatum for the very competent way in which he answered the questions and for the information provided. I could sit down and chat with him all day, but we would be at risk of boring even the accountants and auditors in the room.

[Laughter]

Mr. Joseph X. Hew: Thank you for the responses.

The Chairman: Thank you, Mr. Hew.

I do reflect and support your comments with regard to your participation on your first time here. I do appreciate the forthright way in which you have responded to us today.

We're going to move on to questions about changes in reporting standards. For that, I'm going to turn to Ms. Barbara Conolly to lead the questioning.

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

Through you to the Financial Secretary: During the 2022 Financial Year, several financial reporting standards were published and others were amended which had various implications for many public bodies. Several changes to accounting standards are planned and coming into effect in the coming few years, which will significantly impact the various public bodies. For example, two new International Public Sector [Accounting] Standards (IPSAS) and one International Financial Reporting Standard (IFRS) amendment came into force on 1st January, 2023. Public bodies must consider and account for these in the year ahead.

I know you mentioned earlier that with the IPSAS you all are providing training through the Certified Institute for Further Accreditation (CIFA), I believe. Can you also indicate what your plans and actions are, what [measures] the Ministry has taken to prepare public bodies to implement the new reporting standards, and I guess you can speak to the second standard which is the International Financial Reporting Standard in your response.

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

Mr. Chairman, I thank Member Conolly for her questions.

Yes, the Auditor General's Report mentions three particular standards IPSAS 41 which is dealing with financial instruments; IPSAS 42 is another one that deals with social benefits; and then IFRS 17 which deals with insurance matters. I'm going to ask the Accountant General to elaborate on these aspects, but just to say that, I can tell the Audit Office that one of the reasons why some of the accounts might have been a bit later than planned, in terms of submission to her

Office, was particularly to do with training and considerations of IPSAS 41 – Financial Instruments. I think it may have also delayed on her end. It might have caused more consideration to be given particularly on [IPSAS] 41 – Financial Instruments before reaching conclusions on the audits that she and her Office were doing.

I'm going to ask the Accountant General to elaborate further, but I do know that in particular for IPSAS 41 we have engaged the services of a Big Four accounting firm to help with the training and the technical aspects of that particular standard.

Mr. Matthew Tibbets, Accountant General, Ministry of Finance and Economic Development: Mr. Chairman, as I mentioned earlier, the Ministry of Finance and Treasury work together to provide annual training to the Chief Financial Officers (CFOs) across Government and the SAGCs as well, and this is an update on the IPSA Standards as well as the IFRS so we provide that training annually. Specifically, in this report, we see IPSAS 41, IPSAS 42 and IFRS 17, so I'll speak to each of those individually.

IPSAS 41: We had specific training. We worked with one of the Big Four companies and provided a workshop for all CFOs as well as their finance teams, so if any other members of their finance team wanted to join the Zoom call they could do so. We had subsequent meetings as well to ensure we fully clarified everyone's questions; and we also provided contact information for any CFOs who wanted to liaise directly with the firm to get answers to specific questions they had. Additionally, we provided templates for the CFOs to use in recognising the financial instruments.

IPSAS 42 is related to social benefits and that was only related to two entities in Government so we communicated directly with them and we gave them advice, and ensured that they implemented it for the 2023 Financial Year.

Lastly, IFRS 17 is related to insurance contracts and that only really related to Cayman Islands National Insurance Company (CINICO). We liaised with them and ensured that they implemented the standard and they confirmed that they have implemented it.

As stated, every year we provide training to all finance teams across government. Also, in Treasury, we have a team of two or three members who are constantly looking at the standards to ensure that we're up to date with all new standards coming online.

Thank you, Mr. Chairman.

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

Through you to the Accountant General: Thank you very much for that very detailed response and update on the training for these two reporting standards.

Thank you.

The Chairman: Turning now to the status of the Entire Public Service (EPS) audit. I know we explored that this morning with the Deputy Governor, but I do have a few questions for you as well, from the Ministry.

The Auditor General in her report acknowledged the progress that has been made by the Ministry of Finance to rectify the fact that all of the government's EPS audits have received adverse audit opinions for several years, and recommended that the Ministry of Finance and Economic Development continue to implement the action plan to improve the quality of the EPS consolidated financial statements. She also opined that the action plan will move the EPS towards a desired unqualified audit opinion in the longer term.

Can you give the Committee a status update on the progress by the Ministry of Finance in implementing the action plan to address the qualification points?

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

Mr. Chairman, once again I'm going to ask the Accountant General to elaborate on the action plan because it's been led by the Treasury Department in addressing the various qualification points the Auditor General raised in her report and, as you and the Committee know, Mr. Chairman, there are quite a number of points listed as to reasons why the entire public sector has received an adverse opinion for quite some time. As we went through the report, I actually numbered them and there were some eleven captioned areas as to reasons why an adverse opinion was issued. For example, one of them we spoke about quite extensively before, which was the post-retirement healthcare liability, but there are many others.

For the benefit of the listening public, the action plan was looking at the areas that led to the qualifications and to outline and state what was going to be done in respect of each of these areas, with the intention of getting an improvement to the entire public sector opinion. Mr. Chairman, if I could spend just one minute to say, for the benefit of the public, that the Auditor General has said, and she has evidenced it in her report, that all of the individual Ministers, Portfolios and Offices are getting clean audit opinions from the Audit Office. The public could very well be confused and puzzled as to why, when you put together all of those individual parts which are getting clean opinions the whole of government, the entire public sector, ends up with an adverse opinion? It can be very puzzling that you got 46 or so separate entities, all clean, but when you put them all together, you get an adverse opinion.

The reason for it very quickly, Mr. Chairman and members —and you've heard it before— is that there are certain special considerations that do not sit within any of those individual 46 or so entities. Special considerations such as the post-retirement healthcare liability; that sits and belongs with the entire public

sector as a whole, and it's not the responsibility of any of those individual entities so they are all clean. They escape the scrutiny of particular items, so they're coming back from the audit office with clean opinions.

There are other aspects that don't sit in any of those 40-plus individual entities, such as the valuation of roads. There is the consideration about the expenses of the Public Service Pension Board as distinct from the three underlying pension funds, which are a billion-dollar organisation. There is consideration about bringing the expenses of the Pension Board administration of those funds into government.

There are some real special considerations which do not belong in the individual entities' financial statements, and therefore they get clean opinions; but there are "national", if you can call them that, some "national" issues, which belong to the entire public sector's financial statements. They are the root cause why we are getting adverse opinions on the EPS, the whole of government, and the action plan is meant to address those particular, problematic, national issues.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, thank you to the Financial Secretary for that good lead into the update on the entire public sector accounts.

Just to expand on what the Financial Secretary said, we are getting clean accounts on all the Ministries, but the Ministries have two sets of accounts which are basically the entity, which is what they're getting the clean opinions on from the Auditor General; and they also have an executive set of accounts, which is where all their revenue, et cetera is recognised, and that's not actually being audited, except when those numbers are consolidated into the entire public sector accounts, because the entire public sector accounts is nothing more than a consolidation of all of the different Ministries of government. It's a consolidation unit and that's all they really do. They have no ability to effect change for any of these entities' executive accounts. We are really just a consolidation entity at this point.

Something we're looking to do to enforce that, and ensure that the responsibility rests where the authority to make change is, is that we are trying to merge the executive and entity organisations so that the audits will then take place at the executive level, which means each Ministry will merge their accounts into one set of accounts and an audit will then take place on the entire set of books for each Ministry. The entire public sector unit in the Treasury Department will then have a much easier job of ensuring that those numbers are just consolidated into one set of accounts.

Mr. Chairman, I don't want to bore the Committee completely. If we are to go through the action plan, I'm happy to provide a copy, but I do want to go through some of the major issues in the action plan that we are aware of, that have been aired numerous times before. I would also like to give an update on what we've done to try to improve things since our last meeting, basically.

As the Financial Secretary said, and the Auditor General rightly brought it up, the Public Service Pensions Board's accounts were not previously included in the EPS accounts, so what we've done in 2020 is that we consolidated the balances into the EPS accounts. However, the Audit Office was still concerned because we didn't do a good job of breaking out those expenses into the relevant categories. We tended to just place the expenses into the EPS, without giving the full details of the breakdown of those costs. For 2021, we will be providing that breakdown in the EPS accounts, so we expect it to be cleared with the 2021 EPS accounts.

Mr. Chairman, another issue is the real property. In 2021, we had valuations redone related to all government real property, including the whole roads network, et cetera, and the Auditor General's Office is still in discussions with us and the National Roads Authority to ensure that all assets are included in that report, so we will be working with them to go through that.

As an update of where we are currently, we are looking to do another evaluation this year, ahead of next year's election; because we don't want the evaluation to get caught up in the middle of an election, we'd like to go ahead and get the evaluation done now, so that when the election comes around next year, we will already have all the balances. It'll be an easier process, rather than having kind of a perfect storm where all of the valuations are being done at the same time that we are reshuffling all the entities and so on, so we'll try to get those evaluations conducted this year.

Mr. Chairman, as we discussed at length earlier, the post-retirement healthcare liability, which is a $2.2 billion liability— and just to note, it actually was $2.6 billion in previous years; it has actually come down and that's more related to the interest rates going up and the calculations related to the liability.

No decision has been taken at this time, this is, we're currently under the same practice that's been in place for a number of years of including it in the financial statement notes, not in the on the face of the financial statements. As the Financial Secretary said, we would expect a change like this to happen at the beginning of a government's term, rather than at the end. At this point, it really wouldn't be fair to ask the Minister of Finance to add this to their accounts at this stage.

We will obviously be doing it but, realistically, it wouldn't be fair and it wouldn't be comparable, then, to the previous three years of accounts in her term, to include that at this stage. However, because the 2023 accounts are to be finalised in May, we will be having that discussion, but realistically, this would best be placed to happen at the beginning of a four-year election term.

Mr. Chairman, the next area regards the completeness of revenue, and I'm quite happy with our progress on this item. As I mentioned at the last Public Accounts Committee, we were working on expanding

the revenue unit and recruiting a Deputy Director for it. I'm pleased to note the individual came on board, I believe it was at the beginning of November, 2023; during that time, they were getting caught up to speed, understanding the process, the gaps, and formulating a plan of attack on how to best address the revenue completeness matters.

On January 15th, our Deputy Director sent out emails to all the major revenue-earning entities across government, and I'll quickly go through some of the documents that were requested in this email. They requested the budget and actual amounts collected for the last 3 to 5-year period. The financial statements for the last financial year, the org chart for the entity, the revenue billing and collection procedures manual, job descriptions for those responsible for revenue billing and collection process, recent internal audit reports and reviews, recent statistics reports, the aged receivables as at two different dates— October 2023 and December 2023.

Mr. Chairman, this request was sent out on January 15th, and again, it is gathering information to ensure that we put together a proper plan of how to attack the real issues. I was given an update yesterday and so far, two Ministries have provided the information requested. Obviously, that's not the best result we want, but we have to consider the fact that we are in the middle of financial statement reporting and audits at this time, whereas (this leap year) CFOs are required to report to the Auditor General's office by February 29th, and then an audit will be conducted between March 1st and 30th April.

We appreciate that they're quite busy at this time, so we are being much more patient with this than we normally would, but we do expect to have it under control going forward, and we will be formulating a plan which we are happy to share with this Committee, and the Auditor General's Office, of how we can best attack the revenue completeness issue. That's something that we're quite proud of our accomplishments so far, and we expect to have better results on that going forward.

Mr. Chairman, I'm happy to advise the Committee that for the 2020 EPS accounts that were signed off in December, we were able to remove the provisions and contingencies for environmental liabilities. That's a small step forward for the EPS accounts as well.

Mr. Chairman that concludes the main categories of the action plan. We feel that we have this plan and we're working towards achieving the various steps laid out in it to eventually achieve an unqualified opinion but realistically, the main issue remains— the post-retirement healthcare liability; and of course, the revenue completeness. We feel we have a plan for the revenue completeness, but the post-retirement healthcare liability is not as clear as the specific plan that we are working on for the revenue completeness Thank you.

The Chairman: Thank you for that detailed explanation and update with regard to the plan. Just curious, do you have any date in mind as to when you would plan to achieve a qualified opinion? *[sic]* I know that's just, taking it one step at a time.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, I would expect it to be shortly after the decision is made to include the post-retirement healthcare liability on our books. Unfortunately, I can't confirm at this stage when that would be, Mr. Chairman.

The Chairman: Okay, so effectively, what you're saying is that the needle will move until you deal with that one issue.

Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development – (MFED): Mr. Chairman, I can't speak for the Auditor General's Office but in discussions with them, it's quite clear that it is so pervasive, the liability being $2.1 billion and our net worth being $2.2 billion, it would be hard to see how we could ever get clean accounts without having that matter on the face of the financials.

The Chairman: Okay. Members, any other questions?

Well, FS, that concludes our questioning of you, the Ministry and your staff, and it brings us to the end of today's hearing. I want to thank you for your responses to the questions given by the Committee today, and the frankness with which you have shared that information with us.

When I welcomed everyone this morning, I failed to recognise Hughette Griffiths-Doctor from the office in the Ministry of Finance. Hughette, you were sitting right behind that chair and I did not see you, so I apologise, but I do want to recognise you and say welcome to the Committee today as well.

Thank you too, Auditor General and members, for your participation. This concludes this Hearing of the Public Accounts Committee, so we consider the meeting closed at this time.

Thank you all.

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

The Committee adjourned sine die at 1.17pm