



CAYMAN ISLANDS

2012/2013 Session of the

LEGISLATIVE ASSEMBLY

REPORT

of the

STANDING

PUBLIC ACCOUNTS COMMITTEE

on the Performance Audit Report

of the Auditor General on the

Fuel Card Usage and Management Follow-up

Laid on the Table of Legislative Assembly on this 21 day of November 2012

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**REPORT OF THE STANDING
PUBLIC ACCOUNTS COMMITTEE
ON THE PERFORMANCE AUDIT REPORT
OF THE AUDITOR GENERAL ON
FUEL CARD USAGE AND MANAGEMENT
FOLLOW UP**

SUMMARY REPORT

1. REFERENCE

The Standing Public Accounts Committee of the Cayman Islands Legislative Assembly, established under Standing Order 77, met to consider the Performance Audit Report of the Office of the Auditor General on the Fuel Card Usage and Management Follow-up as prepared and submitted by the Auditor General.

2. PAPER CONSIDERED

In accordance with the provision of Standing Order 77(1), the Committee considered the following paper referred to it by the House:

- Performance Audit Report of the Office of the Auditor General on the Fuel Card Usage and Management Follow-up

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE

The following Members of the Legislative Assembly are the present Members of the Standing Public Accounts Committee – who dealt with this Report of the Auditor General

Mr Moses I Kirkconnell, JP, MLA - Chairman

Hon Cline A Glidden, Jr., MLA

Hon D Kurt Tibbetts, OBE, JP, MLA

Mr. Ellio A Solomon, MLA

Mr. Dwayne S Seymour, MLA

4. MEETINGS OF THE COMMITTEE

The Committee reviewed the Minutes of four (4) meetings held by the Committee, to consider this Report:

- (i) Wednesday 13th June 2012
- (ii) Wednesday 11th July 2012
- (iii) Wednesday 19th September 2012
- (iv) Tuesday 23rd October 2012

5. ATTENDANCE OF MEMBERS

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

6. PERSONS IN ATTENDANCE

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

- Mr. Alistair Swarbrick, Auditor General – Audit Office
- Mr. Garnet Harrison, Deputy Auditor General – Audit Office
- Mr Rubin Martin, Performance Audit Manager - Audit Office
- Mrs Sonia McLaughlin, Chief Officer – Ministry of Finance
- Mrs Debra Welcome, Accountant General – Treasury Department
- Mrs Gloria Myles, Deputy Accountant General – Treasury Department

7. WITNESSES CALLED BEFORE THE COMMITTEE

In accordance with the provisions of Standing Order 77(4), the Committee may invite any public officer or member of staff of a non-Government organisation to give information or explanation to assist the Committee in the performance of its duties. The Committee agreed that the following person would be called to give evidence:

Mr Franz Manderson – Deputy Governor / Portfolio IEA & SC

Mr. Alan Jones – Chief Officer / Ministry of DAWL&A

Mrs Deloris Gordon – Director / Internal Audit Unit

Mr John Carey – Director / DVES

Mr Roydel Carter – Director / DEH

8. PRACTICE AND PROCEDURE OF THE COMMITTEE (S.O 77 (6))

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

9. INTRODUCTION & PAC COMMENTS

9.01 The Auditor General's Office Report of May 2012 was a follow up Report on the Government's Internal Audit Unit's first phase report on the disbursement of fuel from the Department of Vehicle and Equipment Services in February 2012. The Auditor General's Report indicated that evidence showed that action was taken by the entities audited which has led to significant reduction in the number of fuel cards in use and a reduction in the average month consumption of fuel across government agencies. The Report also indicated that there continues to be systemic internal control issues relating to the distribution of fuel.

9.02 After hearing from the witnesses the Committee is satisfied with the Deputy Governor's acknowledgement and response to strengthen the controls with the assistance of the Chief Officers. The witnesses confirmed that there is on-going improvement to the way the fuel is being charged and the method by which the fuel cards are managed.

9.03 The Committee is pleased with the introduction of a new fuel distribution system GASBOY 2 which was implemented in July 2012. In addition a Fuel Card Usage Policy and Procedures and a Fuel Card User Agreement has been implemented.

ACKNOWLEDGEMENT

The Committee is most appreciative of the efforts of the Auditor General and his staff in presenting a very fair, detailed and informative Report of Fuel Card Usage and Management Follow-up and for the support, assistance and constructive advice given throughout its deliberations.

The Committee also thanks the staff of the Legislative Assembly for the assistance provided.

REPORT OF THE COMMITTEE TO THE HOUSE

The Committee agrees that this Report be the Report of the Standing Public Accounts Committee to the House on the Performance Audit Report of the Office of the Auditor General on Internal Audit's Report of Fuel Card Usage and Management Follow-up.

Mr Moses I Kirkconnell, JP, MLA - Chairman

Hon Cline A Glidden, Jr, MLA, Member

Hon D Kurt Tibbetts, OBE, JP, MLA, Member

Mr. Ellio A Solomon, MLA, Member

Mr. Dwayne S Seymour, MLA, Member



THE STANDING PUBLIC ACCOUNTS COMMITTEE MINUTES OF PROCEEDINGS

Meeting
Wednesday 13th June 2012
11:00 am

Minutes of proceedings of the Standing Public Accounts Committee's meeting held Wednesday 13th June 2012 at 11:00 am in the Small Conference Room of the Legislative Assembly Building, Grand Cayman.

Present:

Mr Moses I Kirkconnell, JP, MLA – Chairman
Hon Cline A Glidden, Jr. MLA – Member
Mr D Kurt Tibbetts, OBE, JP, MLA - Member
Mr Ellio A Solomon, MLA – Member
Mr Dwayne S Seymour, MLA – Member
Mrs Zena Merren-Chin – Clerk

Persons in Attendance:

Mr Garnet Harrison – Deputy Auditor General
Mr Rubin Martin – Performance Audit Manager
(joined the meeting at 11:55am)

1. Meeting to Order

There being a quorum present (Standing Order 77(2) refers); the Chairman called the Meeting to order at 11:00 am and thanked the Members present for attending.

The Chairman again voiced his concern regarding the outstanding PAC Reports and advised the Committee that draft reports had been prepared by the Clerk on five of the Auditor General's Reports.

2. PAC Reports for Approval:

- a. PAC Report on the Special Report of the Auditor General on the Loans and Expenditures of Funds at Boatswain Beach

The Committee reviewed and approved the draft Report.

- b. PAC Report on the Special Report of the Auditor General on the Review of Expenditure for Operations Tempura and Cealt

The Committee reviewed the Report and agreed to review the verbatim transcript of the meeting with the Commissioner of Police and the Deputy Governor before approving the draft Report.

- c. PAC Report on the Special Report of the Auditor General on Internal Audit's Report of Fuel Card Usage and Management

The Committee reviewed and approved the draft Report.

- d. PAC Report on the Special Report of the Auditor General on the Review of the Legal Aid Programme

The Committee reviewed the draft Report and amended section 9.

- e. PAC Report on the Special Report of the Auditor General on the State of Financial Accountability Reporting (Update)

The Committee reviewed the draft Report and amended section 9.

The Committee agreed on a Motion by Mr Tibbetts that the PAC Reports that were approved would be the Reports of the Standing Public Accounts Committee to the House and would be laid on the Table at the next meeting of the House.

3. Auditor General's Reports for consideration:

- a. Auditor General's Report on Fuel Card Usage and Management Follow-up
- b. Auditor General's Report on Management of Overseas Medical Services – May 2012
- c. Auditor General's Report on Road Paving Expenditure in Cayman Brac

The Committee agreed that the Reports would be considered in the next meeting.

4. Approval of the Auditor General's Office Invoices

The Committee reviewed and approved the following Auditor General's invoices on a motion by Mr Dwayne Seymour.

- Invoice No. 205808 dated 3rd April, 2012 in the amount of CI\$39,755.44
- Invoice No. 205827 dated 7th May, 2012 in the amount of CI\$47,900.75
- Invoice No. 205851 dated 5th June, 2012 in the amount of CI\$54,820.87

5. Confirmation of Minutes

The minutes of 22nd March 2012 will be reviewed at the next meeting.

6. Other Business

The Chairman asked that the Auditor General provide an update at the next meeting on the issue of Mr Peter Young's position with the UDP, which was raised in the meeting of 21st October 2011.

7. Next Meeting

The Committee agreed for the next meeting to be on 19th June 2012 at 10:00am

8. Adjournment

There being no further business, Hon Cline Glidden moved for the adjournment of the meeting at 1:20 pm.



THE STANDING PUBLIC ACCOUNTS COMMITTEE MINUTES OF PROCEEDINGS

Meeting
Wednesday 11th July 2012
10:30 am

Minutes of proceedings of the Standing Public Accounts Committee's meeting held Wednesday 11th July 2012 at 10:30 am in the Small Conference Room of the Legislative Assembly Building, Grand Cayman.

Present:

Mr Moses I Kirkconnell, JP, MLA – Chairman
Hon Cline A Glidden, Jr. MLA – Member
Hon D Kurt Tibbetts, OBE, JP, MLA – Member
Mr Ellio A Solomon, MLA – Member
Mrs Zena Merren-Chin – Clerk

Absent:

Mr Dwayne S Seymour, MLA – Member

Persons in Attendance:

Mr Alistair Swarbrick – Auditor General
Mr Garnet Harrison – Deputy Auditor General
(joined the meeting at 11:05am)

1. Meeting to Order

There being a quorum present (Standing Order 77(2) refers), the Chairman called the Meeting to order at 10:40 am and thanked the Members present for attending.

2. Confirmation of Minutes

- a. **7th December 2011** – Minutes were reviewed by the Committee and approved on a motion moved by Hon Cline Glidden.
- b. **22nd March 2012** – Minutes were reviewed by the Committee and amended. The minutes as amended was approved on a motion moved by Hon Kurt Tibbetts.
- c. **13th June 2012** – Minutes were reviewed by the Committee and approved on a motion moved by Hon Cline Glidden

3. Matters arising from the Minutes

- a. The Chairman referred to the 22 March 2012 minutes and advised the Committee that due to the Government's budget cuts the Auditor General's Office budget had

been reduced from the amount that the Committee had approved in the 22 March 2012 meeting.

- b. The Chairman referred to the 13 June 2012 minutes and asked the Auditor General for an update on the matter relating to Mr Peter Young. The Auditor General advised that there had been a number of correspondence letters between the Auditor General's Office and Mr Young's attorney Mr Anthony Akiwumi. There has been no response from the attorney to the Auditor General's last letter in January 2012.

4. Auditor General's Reports for consideration

a. Auditor General's Report on the Review of Expenditure for Operations Tempura and Cealt

A Member asked the Auditor General to comment on the investigation that is being carried out by the Police Department as a result of Operations Tempura and Cealt. It was noted that the Governor reportedly has information relating to the investigation that has not been released to the public.

The Committee agreed that In order for the Committee to make proper recommendations it should have all relevant information including any report from the Governor. The Committee's report will reflect the fact that the Members would have wished to review the Governor Report.

b. Auditor General's Report on Fuel Card Usage and Management Follow-up

The Committee agreed to call the following persons as witnesses to provide information on the AG's Report:

- Deloris Gordon – Director / Internal Audit Unit
- Alan Jones – Chief Officer / DAWL&A
- John Carey – Director / DVES
- Franz Manderson – Deputy Governor
- Roydell Carter – Director / DEH

c. Auditor General's Report on Management of Overseas Medical Services – May 2012

The Committee agreed to call the following persons as witnesses to provide information on the AG's Report

- Scott Cummings – Board Chairman / CINICO
- Seamus Tivan – Board Deputy Chairman / CINICO
- Sheridan Brooks - former Board Chairman / CINICO
- Lonny Tibbetts – CEO / CINICO
- Frank Gallippi – CFO / CINICO
- Carol Appleyard – former CEO / CINICO
- Jennifer Ahearn – Chief Officer / HEYS&C

d. Auditor General's Report on Road Paving Expenditure in Cayman Brac

The Committee agreed that the following persons would be called as witnesses to provide the Committee with information on the AG's Report.

- Alan Jones – Chief Officer / DAWL&A
- Ernie Scott – District Commissioner
- Brian Tomlinson – former Director / NRA
- Nadisha Walters – CFO / DAWL&A
- Colford Scott – Chairman / NRA

e. Auditor General's Report on the Management of Major Capital Projects

The Committee agreed to deal with the Report at the next meeting

f. Auditor General's Report on the Management of Government Procurement

The Committee agreed to deal with the Report at the next meeting

g. Special Report of the Auditor General on the Affordable Housing Initiative

The Committee agreed that Dr Frank McField would be invited to attend before the Committee at the meeting scheduled for the hearing of witnesses.

5. Approval of the Auditor General's Office Invoices

The Committee reviewed and approved the following Auditor General's invoices on a motion by Hon Kurt Tibbetts.

- Invoice No. 205863 dated 4th July, 2012 in the amount of CI\$37,907.73

6. Other Business

Update on Government audited accounts

The Auditor General informed the Committee that there have been delays in getting statements for 2010-2011 year as more documentary evidence was needed. There are some major problems with DAWL&A.

The Committee agreed that a letter be sent to the CFOs and COs of the Ministries indicating that the PAC is concerned and they will be called before the Committee to answer questions regarding the audits.

7. Next Meeting

The Committee agreed to schedule meetings during which witnesses would be called for the first week of August 2012.

8. Adjournment

There being no further business, Hon Kurt Tibbetts moved for the adjournment of the meeting at 1:05 pm.



Legislative Assembly Of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

**Of Meeting held with Witnesses
Wednesday 19th September 2012
10:30am**

Minutes and verbatim transcript of meeting of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly Building on Wednesday 19th September 2012 at 10:30am.

Present:

Mr. Moses I Kirkconnell, JP, MLA – Chairman
Hon Cline A Glidden, Jr, MLA - Member
Hon D Kurt Tibbetts, OBE, JP, MLA - Member
Mr. Ellio A Solomon, MLA - Member
Mr. Dwayne S Seymour, MLA - Member

In Attendance:

Mr. Alastair Swarbrick – Auditor General
Mr Garnet Harrison – Deputy Auditor General
Mr. Martin Rubin – Manager Audit Office
Mrs. Sonia McLaughlin – Chief Officer / Ministry of Finance
Mrs. Debra Welcome – Treasury Department
Mrs Gloria Myles – Treasury Department

1. Reference

In accordance with Standing Order 77(4) witnesses were invited to appear before the Committee to discuss various issues set out in the following Auditor General's Reports:

- (a) *Special Forensic Audit Reports of the Auditor General on the National Housing and Community Development Trust / June 2005 and August 2005*
- (b) *Performance Audit Report of the Office of the Audit General on the Fuel Card Usage and Management – Follow up June 2012*

2. Meeting to Order

There being a quorum present (Standing Orders 77(2) refers), the Chairman called the meeting to order at 10:30 am.

3. Welcome

The Chairman gave a brief welcome to the Members and the staff of the Auditor General's Office, Treasury Department and the Ministry of Finance.

4. Reports of the Auditor General - *Performance Audit Report of the Office of the Audit General on the Fuel Card Usage and Management – Follow up June 2012*

The Chairman welcomed the witnesses and invited them along with the Auditor General to make opening statements on the Report. The Chairman then invited questions from the PAC Members.

The following persons appeared in their named capacity as witnesses before the Committee:

- Mrs Deloris Gordon – Director, Internal Audit Unit
- Mr Alan Jones, Chief Officer – Ministry of DAWL&A
- Mrs Leyda Nicholson-Coe Deputy Chief Officer – Ministry of DAWL&A
- Mr John Carey, Director - DVES
- Mr Stephen Quinland, Deputy Director – DVES
- Ms Stephanie Delapeha – Higher Executive Officer – DVES
- Hon Franz Manderson, Deputy Governor – Portfolio of IEA and CS
- Mr Roydell Carter, Director - DEH

5. Reports of the Auditor General - *Special Forensic Audit Reports of the Auditor General on the National Housing and Community Development Trust / June 2005 and August 2005*

The Chairman welcomed Dr Frank McField and invited him to make an opening statement to the Members. The Chairman then invited questions from the PAC Members.

At the conclusion of meeting with the witnesses the Chairman thanked the Members of the Committee and the staff of the Audit Office, Treasury Department and the Ministry of Finance for attending. The Committee then continued with the meeting in camera.

6. Approval of Minutes

Minutes of the 18th September 2012 was reviewed by the Members of the PAC and approved on a motion moved by Hon Kurt Tibbetts.

7. Adjournment

There being no other business the meeting was adjourned by the Chairman at 1:10pm

**EDITED
VERBATIM TRANSCRIPT OF PROCEEDINGS
STANDING PUBLIC ACCOUNTS COMMITTEE**

**WEDNESDAY
19 SEPTEMBER 2012
10.35 AM
*Second sitting***

**SPECIAL REPORT OF THE AUDITOR GENERAL ON
FUEL CARD USAGE AND MANAGEMENT FOLLOW UP**

**SPECIAL FORENSIC AUDIT REPORT OF THE AUDITOR GENERAL ON
NATIONAL HOUSING AND COMMUNITY DEVELOPMENT TRUST**

Verbatim transcript of proceedings of the Public Accounts Committee, held Tuesday, 19 September 2012, commencing at 10.35 am in the Chamber of the Legislative Assembly Building, Grand Cayman.

The Chairman (Mr. Moses I. Kirkconnell): Good morning all. I would like to call the Meeting to order. This is the Meeting of the Public Accounts Committee. The time is 10.30.

I take this opportunity to record that there is a quorum present. I thank the Committee members for being here. I would like to thank the Auditor General and his team and the group from Finance for being here as well today.

I will ask the Serjeant to bring in the first witness, which will be on the Auditor General's Report on the Fuel Card Usage and Management follow-up.

**FUEL CARD USAGE AND MANAGEMENT
FOLLOW-UP**

The Chairman: As we wait for the witness to be seated I will invite the Auditor General to make his opening statement on his report.

Mr. Alastair Swarbrick, Auditor General: Mr. Chairman, good morning; members of the Public Accounts Committee, ladies and gentlemen. Thank you for the opportunity to provide some initial comments on my performance audit follow-up report on fuel card usage and management.

In my performance audit programme, which was issued in September 2011, I indicated that my office would be following up a number of previously issued reports. This report followed up a report that my office issued in February 2010 on fuel card usage and management, in order to assess the progress made by Government in addressing the issues and concerns that were identified at that time. The findings in this report are based to a large extent on the work performed by the government's Internal Audit Unit. But it also provides some additional information on

how well the fuel distribution system is working in other areas of government.

In the report I indicated that in the time between the two audits, the annual cost of fuel used by government entities decreased by approximately \$475,000 or 23.5 per cent. I also reported that the agencies included in the 2010 audit had made some progress to improve the practices to prevent abuse of the fuel distribution system, and that the Department of Vehicle and Equipment Services also took action to strengthen their own control environment. This is indicative of some improvement in the distribution and usage of fuel, although due care must be taken in interpreting the decrease in fuel usage as a number of factors including decrease in government activity could have significantly impacted on fuel usage.

However, the findings indicate that the rest of government did very little to mitigate the risk of misuse in their entities. There were significant systemic internal control issue and there was no corporate or concerted actions across the whole of government to develop better practices for the distribution of fuel and to address the risk and issues identified in our initial report. As a result, the opportunity for abuse of the system was still a significant risk.

For example, the Internal Audit Unit testing results in 10 government agencies found that 97 gas cards were still assigned to ex-employees; there were 65 cards assigned to employees who had no business case to have them; and 28 employees with more than one fuel card issued in their names.

In the report Internal Audit stated that in their conclusion, "Based on our review of the management system for fuel card usage and management across the ten agencies selected for testing, internal audit concludes that the overall control environment has not improved since the previous fuel card audit, and the

internal control surrounding these processes still require significant improvement.” As a result, it is my opinion that the implementation of better practices across all government agencies would likely lead to further reduction in expenditures.

Finally, the immediate and positive response from the current Deputy Governor to take action to address the concerns discussed in this report is very welcome. Since the report was issued, I have seen clear evidence of action being taken and, as of yesterday, I received an update from the Deputy Governor in terms of the details of what action has been taken, although I have to state that that has not been audited at this stage but that may be the case in the future.

I look forward to assisting the Public Accounts Committee over the course of this hearing by providing additional information and clarification where necessary. Thank you.

The Chairman: Thank you, Mr. Auditor General.
Good morning, Ms. Gordon and welcome.

Ms. Deloris Gordon, Director, Internal Audit Unit: Good morning, Mr. Chairman. Thank you.

The Chairman: I will invite you to state your full name and your position and then we will give you an opportunity to make an opening statement if you would like.

Ms. Deloris Gordon: Thank you sir.

My name is Deloris Gordon and I am the Director of the Internal Audit Unit.

With regard to an opening statement, I would just like to say that we really do appreciate the attention and the work that the Auditor General is doing in highlighting the work of the Internal Audit Unit, and in bringing some attention and possibly more than would have normally happen, some action on the recommendations.

The Chairman: Thank you very much.

I will open the floor to the Committee for questions.

Mr. Seymour.

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

Through you to Ms. Gordon—I don’t see Mr. Carter or Mr. Manderson as we had hoped, but I am sure Ms. Gordon is well prepared to answer all the questions and calm all the fears.

In regard to some of the opening statement that the Auditor General just stated, in terms of how many persons had cards, et cetera, do you have information as to how many persons have cards now? Has that decreased or increased? Are any of them allowed to get fuel after hours?

Ms. Deloris Gordon: Mr. Chairman, we have not, since issuing the last report in 2011 (which is the phase 2 report), conducted a further follow-up on those ones. What we have done is a follow-up of the 2008/09, the first five agencies that were looked at in that first report, to see what the status is of the direct implementations of the recommendation.

We have not gone back to review what is actually happening at the DVES pumps and with regard to the number of fuel cards that are now in use.

The Chairman: Mr. Glidden.

Hon. Cline A. Glidden, Member PAC: Thank you, Mr. Chairman.

Mr. Chairman, through you to Ms. Gordon: I’m just wondering if she can state, other than the concerns that have been reported and summarised by the Auditor General in his report which was based on the work done by the Audit Unit, does she have any further concerns that she believes need to be addressed? Or are those recommendations covered and the concerns raised in the report capture all of them?

Ms. Deloris Gordon: Specifically, the Auditor General’s report covered all the recommendations that we raised in our report so they actually did cover everything that we did have concerns with. There was nothing else specifically that I can recall or seeing in the report that was different from what he has mentioned.

The Chairman: Thank you for that Ms. Gordon.

I would like to ask just for some clarity: When the Internal Audit Unit . . . you are a layer before the Auditor General’s Office . . . and let me try to finish this question so I get it asked properly.

So, we have a functioning group and . . . how do you choose who you are going to audit, or do you try to audit all of the different ministries or government businesses?

Ms. Deloris Gordon: Mr. Chairman, we are required under the Public Management and Finance Law to audit all government agencies, and that includes statutory authorities and government companies. We have the independence to determine which agencies we audit at what point, and in order to do this we establish an annual audit plan.

We also audit agencies based on requests from HODs, Chief Officers, or specific information that may come to us which that particular agency may not have been on the audit plan, but based on the level of risk that we assess to be involved in that area we can prioritise and conduct that audit. So that’s how we determine which agencies we audit.

In terms of, specifically, this fuel card audit, we initiated it. That’s the first phase that was done in 2009. That audit was initiated because we were doing an audit plan audit at the Department of Vehicle and

Equipment Services and we identified anomalies within the fuel card system that prompted us to conduct a further review. That's how that one came to be selected and came to be done.

The Chairman: In your opening comments you made the statement that you were agreeing with a lot of the findings by the Auditor General's report, and you also said that you believed that helped move the process forward in trying to get some of these issues corrected.

Ms. Deloris Gordon: Yes sir, I did.

The Chairman: Mr. Glidden.

Hon. Cline A. Glidden, Jr.: I'm just checking to see if this was just part of the normal follow up, I guess, to the first audit, or whether there was something that caused this follow up, some concerns or other concerns that may have arisen that may have caused a follow up to the initial report.

Ms. Deloris Gordon: Mr. Chairman, I am assuming that Mr. Glidden is referring to the second audit report that we did?

Yes.

So when we did the first fuel card audit, and that was referred to as phase 1 in 2009, we established a list of all the users of fuel at the DVES pump. That was a list of 55 agencies, and they were ranked in accordance with the highest user down to the least user. At the time we thought we were not able to give full attention to all 55 agencies, so we did the first 5, which were the 5 highest users. And subsequently we decided to follow up with the next 10 in line in order of the 55 to see what . . . and considering that there was a policy and procedure issued resulting from the report of the first 5, we decided to see what was happening in the other agencies.

Mr. Alastair Swarbrick: Through you, Mr. Chairman, Mr. Glidden, just to confirm from our perspective, we just as a matter of course plan to follow up on our audits as and when resources permit. And from our perspective as Internal Audit had done another report and were following up their initial findings, we believed it was appropriate and timely for us to bring a report on those factors.

One other point I'd probably like to make is that in terms of the number of fuel cards that are available and out there, it's clear that when Internal Audit raised those issues, those agencies probably actioned to address those fuel cards as at that point in time. Whether that's an ongoing process, whether they continue to make sure that there's no further issues around that, that's a point that's not clear.

The statistics show that between the first and second reports the number of fuel cards that were out

there decreased by approximately 200 from an initial position of 1,200 cards. So, you know, we can read into the statistics to a degree, but we obviously have to be careful with that. But there is some evidence that there was a reduction in fuel cards initially, at least in the initial five agencies that were reviewed.

Hon. Cline A. Glidden, Jr.: Mr. Chairman, just a follow up to that.

So, my understanding is, we look at the disbursement system for fuel, we have a list of 55 users, you can't deal with all 55 so you chose 5, the top 5 users, and you make a report on that. You make your recommendations and after a period of time you go back and look at the next 10?

Ms. Deloris Gordon: Yes sir.

Hon. Cline A. Glidden, Jr.: The next 10 users.

I gather from the report that what you found was that the recommendations that had been made for the first 5 hadn't been incorporated for the second 10 users.

Ms. Deloris Gordon: Yes, Mr. Chairman. Yes sir.

Hon. Cline A. Glidden, Jr.: Is that surprising? Can you think of any reason why that shouldn't have happened? Was it difficulties with incorporating those? Or not enough time in between for those improvements to be made? It seems surprising that you go and you find and you give a recommendation and then you go back at a later stage and you find that no improvements have been made or we can't measure and say that those improvements have at least been implemented as you recommended.

Ms. Deloris Gordon: Mr. Chairman, it is a combination of factors. It could very well be timing as well. Obviously, to cancel fuel cards that are being held by persons who are no longer employed does not require much time. But there may be a few that could possibly require time.

Having said that though, as I mentioned before, given that some of these same agencies which we reviewed in the next 10 are within ministries for some of the top 5 agencies, we would have expected that some of these things would have been corrected.

The first report was issued in December 2009, and the next report was issued in August 2011. The period that we looked at in the August 2011 report is the 2009/10 financial year. So, it sort of overlapped with the December 2009. But even with that, I would have expected that if not the agencies which did not fall under ministries previously audited, the ones that were previously audited which were under agencies should not have had . . . we should not have seen the similar recommendations being made for those agen-

cies, given that the new procedure was issued requiring agencies to make changes.

The Chairman: Thank you for that.

So I can understand if . . . I know the price of gasoline goes up by the market. But if you look at it and say the price is the same from the 2009/10 year 2008/09 year, you've had an audit and . . . do you have a number of how much gasoline is actually used? Is it \$2 million, \$3 million in the first audit? And this question is open to the Auditor General as well.

The number I am looking for is what we are hoping to accomplish today by these recommendations of how much money we can actually save this country if these recommendations are put into place.

Mr. Alastair Swarbrick: Mr. Chairman, I think as I said initially there was care in terms of giving the figures because, for example, a number of agencies their activity significantly decreased in the top five, like for example the NRA's activity decreased significantly so their fuel consumption will decrease. So, those are the sort of issues that we have to take into account.

But between the two periods I can give you . . . I have the average here . . . during the first phase audit the average monthly consumption was \$168,000.

Mr. D. Kurt Tibbetts, Member PAC: Total?

Mr. Alastair Swarbrick: That's monthly. So . . . and in the second phase the average monthly consumption's at \$129,000, approximately \$39,000 decrease. So there is a positive message from that perspective, but a number of factors would have impacted that and if there is significant decrease in activity that would be a key factor in terms of that.

Mr. D. Kurt Tibbetts: So, it can easily be talking about \$.5 a year.

Mr. Alastair Swarbrick: Decrease of 30, 40; that's what I said. A monthly decrease of 40. So, the annual decrease was \$475,000 from doing two phases.

The Chairman: That's from the first—

Mr. Alastair Swarbrick: To the second phase.

The Chairman: —audit to the follow up.

Mr. Alastair Swarbrick: Yes.

The Chairman: And in the follow up you found other areas that still needed to be complied with, some of your recommendations.

Mr. Alastair Swarbrick: Yes, and some of the initial five agencies are still to implement some of the rec-

ommendations as well. And I think in particular the Department of Environmental Health, for example, there was no response to Internal Audit or ourselves in relation to the recommendations from the previous audit.

One of the key points that I think we were trying to draw out in terms of our reporting of it was also the fact that we would like to have seen more corporate action across the government, like someone taking the lead to try and propound to move forward the issues in terms of, like, fuel management policies and making sure they are implemented because I think there is an issue about the resources available for some of the smaller agencies, for example, to actually do all of this themselves to implement the recommendations. So there are some concerns about that as well.

So that was one of the key issues, from my perspective, to try and make sure that there was some corporate concerted action. And from the response to this report there seems that there has been more concerted action being led by the Deputy Governor to drive forward the recommendations and ensure that the recommendations are implemented across the agencies.

The Chairman: So, in rough numbers, because of the price going up and down, if I move this to a percentage, your feeling is, and you are supporting the Audit Office, basically, that you have an opportunity to save 20 per cent to 25 per cent in the cost of—

Mr. Alastair Swarbrick: It was 23.5 per cent decrease between the two periods in this re-audit. So there are opportunities to further improve on this.

Mr. Dwayne S. Seymour: Probably get to 30.

Mr. Alastair Swarbrick: Probably 30 per cent, 35 per cent potentially.

It depends on activity as well.

The Chairman: From the first audit to the second audit you have saved 23 per cent; and now with this second audit the savings you hope to accomplish would be how much?

Mr. Alastair Swarbrick: I don't really have any objective evidence to say how much that would be. I would be guessing to be honest, if I were to give you a figure. Another 10 per cent hopefully, you know.

The Chairman: So, a 33 per cent savings.

Mr. Alastair Swarbrick: Yes, you know.

The Chairman: Mr. Tibbetts.

Mr. D. Kurt Tibbetts: Mr. Chairman, forgive me. I'm just trying to get a good grasp of this situation here. The fuel card system is operated up at the gas pumps at DVES. These cards are issued to various departments by DVES with someone else's authority (I'm assuming), meaning authority from either a Ministry or Portfolio or an HOD. Whose responsibility is it? Where is the check and balance at this point in time to say, *Well, if something goes wrong you are responsible?*

Ms. Deloris Gordon: Mr. Chairman, as far as we identified there in the audit, the responsibility for authorizing or requesting fuel cards from the DVES lies with the HODs. And, as such, we assume that they are responsible for ensuring that the cards are used effectively and for only government business purposes.

Mr. D. Kurt Tibbetts: If I might follow up . . . so, on discovery after your first audit what happened then?

Ms. Deloris Gordon: So, Mr. Chairman—

Mr. D. Kurt Tibbetts: Who did what, if anything?

Ms. Deloris Gordon: Yes sir. So, Mr. Chairman, we issued our report to the relevant HODs that have responsibility for the areas that we looked at and to their chief officers. Ultimately, all of our reports go to the Financial Secretary. Our role in terms of the conduct of the audit and what happens ends there except for when we conduct our follow ups to see whether or not the recommendations that were made are being implemented. And, in the same vein, follow ups are sent to the relevant chief officers with responsibility for the areas and to the Financial Secretary.

Mr. D. Kurt Tibbetts: I appreciate that. Your role is discovery.

Ms. Deloris Gordon: Yes sir.

Mr. D. Kurt Tibbetts: Fine.

But, I don't know if anyone here can answer, but I am presuming somebody can. So after discovery and the reports are sent out to where they are sent out, what is supposed to happen if there is something that isn't right?

What I am really trying to ask, and let me just try to put it all together in one thing, I understand then from a second report when they went in and checked that means they found that what they had recommended, nothing was done in some areas. So nobody does anything about that? It just stays like that and the end of story?

Mr. Alastair Swarbrick: Well, we hope not. The whole purpose of the audit is to try to have some impact and improve their controls.

Mr. D. Kurt Tibbetts: I'm trying to find out what happened.

Mr. Alastair Swarbrick: It's up to management to actually implement the changes. We can't force it. From our perspective it should have been the heads of—

Mr. D. Kurt Tibbetts: Which management are you speaking to sir?

Mr. Alastair Swarbrick: The Heads of Departments as the initial . . . as the agencies should have taken the action.

Mr. D. Kurt Tibbetts: But the Ministry and Portfolios would be aware too.

Mr. Alastair Swarbrick: Yes, and I would say, ultimately at the end of the day, it's the chief officer who is ultimately accountable for ensuring that their ministries and that the agencies within their ministries take forward their actions.

Mr. D. Kurt Tibbetts: I thought so.

Mr. Alastair Swarbrick: Ultimately, the accountability will always rest with the chief officer or the managing director or chief executive officer of the agency, the ministry or statutory authority, to make sure that actions are taken.

Mr. D. Kurt Tibbetts: That's why we don't have any performance agreements in place!

Mr. Alastair Swarbrick: From our perspective we are looking for a corporate action which is clearly what's happening now. The Deputy Governor is pushing that down, because ultimately everything in terms of the core civil service flows up the Deputy Governor in terms of his accountability for the civil service and actions, to take issues forward. You know, he's relying on his chief officers to drive it forward to an extent.

The Chairman: Ms. Gordon, I don't see any more questions forthcoming, so I'd like to thank you very much for coming this morning. We've certainly . . . Do you have any information as far as strategies that some of the chief officers or the ministries might be using to try to check on how this savings is being arrived at? Or is that going to be given to us by the Deputy Governor when he comes?

Ms. Deloris Gordon: Mr. Chairman, by savings you mean the implementation of the recommendations to reduce? No, we do not have information on their strategies. All we rely on is the responses that come back from them to say what action they are taking to implement the recommendation.

The Chairman: Will the Internal Audit Department . . . you have flagged this obviously, are you going to be doing follow up audits on this? Or is that something you prefer not to say?

Ms. Deloris Gordon: We can say. It's potentially a high risk area and it will be something that we continue to check on. Obviously, we will continue to follow up on the outstanding recommendations and that would be a sign as to whether improvement is taking place in the area. I wouldn't necessarily say that immediately we are going to go back and look at the next set of agencies, but obviously the larger ones, which we have covered 15 of them, if their recommendations are all implemented and we verify that this is so, then, I think that's a good sign that improvement is taking place.

The Chairman: It's obviously an opportunity for savings.

So, again, thank you very much—

Mr. Dwayne S. Seymour: Mr. Chairman.

The Chairman: Sorry.

Mr. Seymour.

Mr. Dwayne S. Seymour: I would just like to say . . . Ms. Gordon just said that they will continue to check on . . . and then she mentioned the word "high risk." I know at this stage we need to draw the line somewhere in terms of if something is high risk, whether we continue to check on it or consistently monitor. That's my comment.

The Chairman: Point taken.

Questions? No more?

We're finished, we're good?

Thank you very much.

Ms. Deloris Gordon: Thank you, Mr. Chairman.

[pause]

The Chairman: I'm going to suspend for 10 minutes.

Proceedings suspended at 11.08 am

Proceedings resumed at 11.21 am

The Chairman: [Inaudible] to bring in the witnesses.

[Long pause]

The Chairman: For everyone's information, we are just waiting on one more witness.

[Long pause]

The Chairman: All of the witnesses are in their seats now. I would invite each witness, starting with the young lady closest to me, to introduce themselves, state their position, and if they have any type of opening statement, they can make it at that time. After that we'll open the floor to questions from Committee members.

Mrs. Leyda Nicholson- Makasare, Deputy Chief Officer, Ministry of DAWL&A: Leyda Nicholson- Makasare, Deputy Chief Officer.

Mr. Alan Jones, Chief Officer, Ministry of DAWL&A: Good morning everybody, I'm Alan Jones, Chief Officer, Ministry of DAWL&A.

Perhaps to save time I could just introduce my colleagues here: Mr. John Carey, he's the Director of DVES; Mr. Stephen Quinlan, who is the Deputy Director and Stephane Delapenha, He is a higher executive officer at DVES.

In terms of any sort of opening comments, I again would like to welcome the opportunity to air and discuss the issues that were brought out in the Auditor General's report on the fuel card usage within Government. I can say that a lot of effort has been spent by the Ministry and by DVES following up with the relevant departments to ensure that the appropriate actions have been taken.

One point that I would like to bring out at the beginning, because I think it will be a constant thread through this discussion, is that whilst DVES sits within the Ministry of DAWL&A and obviously deals with the procurement of fuel and the distribution of it at the government fuel facility, a significant part of the emphasis, I think, needs to go into the relevant other users, other ministries, portfolios and heads of departments who ultimately have to manage their own staff and make sure that their own staff are following the correct procedures. The bottom line being that there is only so much that DVES can do themselves directly.

Thank you.

The Chairman: Questions?

Mr. Tibbetts?

Mr. D. Kurt Tibbetts: Thank you, Mr. Chairman.

If I may refer to the DVES, I don't know whether he's termed the manager or the director . . . director? Mr. Carey.

GASBOY is something that we have been hearing about for quite some time and it's actually a horror story to some of us when we hear about it. Has the replacement system been installed and is it up and running and where are we with that?

Mr. John Carey, Director of DVES: Mr. Chairman, with regard to the GASBOY system, we are currently doing a request for proposal [RFP]. We have been

working on this for the last 18 months since I've come on board at DVES. And in that RFP for fuel equipment, fuel services, the intention is that the successful bidder would supply us with a fuel management system, because GASBOY is a fuel management system, that addresses a lot of the issues, if not all of the issues that have been raised at some point from the audit report.

Now, with regard to GASBOY, I think it should be noted that GASBOY gets a bad name because the existing GASBOY system we have in place is an antiquated system. The GASBOY 2 system, which is currently being reviewed by the department, is one that encompasses all of the gaps in terms of being able to address them. But that is just one type of fuel management system. So, it should be clear that GASBOY in its current form is an antiquated fuel management system that doesn't quite meet the needs of what we need today. It is anticipated that by December of this year we should have this RFP document completed, put out to tender, awarded to the successful bidder, with a view that this should be put in place by that date.

Now—

Mr. D. Kurt Tibbetts: So, I am misunderstanding you from the very beginning. It hasn't gone out to tender yet?

Mr. John Carey: No, it has not. We are currently in discussions with Legal as well as CTC and it is expected that we should wrap this up real fast.

The Chairman: Mr. Glidden?

Hon. Cline A. Glidden, Jr.: Mr. Chairman, just picking up on a question that was asked by Mr. Tibbetts earlier on, just picking up on the opening remarks by the Chief Officer as to the responsibility, maybe we could get an understanding as to exactly how authorisation is given and where the control . . . or who has responsibility for controls or abuses throughout the system.

Mr. John Carey: Mr. Chairman, it's important to note that DVES can account for every gallon of gasoline and diesel that passes through its pumps. We can tell you where it went. The responsibility in terms of how it was allocated falls within the purview of the heads of departments, chief officers of the departments, for them to go through the reports which we provide monthly to determine whether the fuel usage is within plan, above plan, or there are some anomalies that need to be addressed.

So, what happens is that the user comes to the Department of Equipment and Vehicle Services, gets fuel, be it gasoline or diesel, and we can account and show exactly who got what. But it is for the agency that received that fuel, whoever their fleet manager,

or the person responsible is, it is for them to check to ensure that the fuel is being correctly used and for the purpose that it is intended.

The Chairman: So, if I understand that, the chief officer or the CFO of the ministry, the authority that the card was issued to their employee, is the person who has the responsibility to manage the actual use of this gas?

Mr. John Carey: Mr. Chairman, that is correct.

The Chairman: And they are the ones responsible for taking advantage of the Internal Audit and the Auditor General's report of how these savings can be effected?

Mr. John Carey: Mr. Chairman, through the review of these documents that are presented to them, they should be able to make determinations in that regard. The DVES gives support in terms of being able to analyse, and that's primarily why we need a proper fuel management system, to help to assist to mitigate against the potential, which is what the report talks about, the potential for abuses. But the reality is that this is done, or should be done, at the management level of ministries and departments because they are the consumers of the fuel.

Mr. Dwayne S. Seymour: Mr. Chairman.

The Chairman: Mr. Seymour.

Mr. Dwayne S. Seymour: I would just like to ask a question so that it can be on record. I don't think . . . I kind of asked it earlier and I wasn't quite satisfied that I got the information I needed. I heard the Auditor General allude to some 1,200 and possibly some 200 deductions, some 20 per cent of something, but to date, do we know how many cards in total that we have? And since the restructuring of this gas fuel, GASBOY or otherwise, how many cards have been reduced? Do you have that information available?

Mr. John Carey: Mr. Chairman, we do have that information available. We have done a spreadsheet that encompasses the total amount of cards, vehicle cards, active employee cards and vehicle cards as of September 14, 2012.

Mr. Dwayne S. Seymour: Yes, and the number?

Mr. John Carey: The total we will have to calculate that for you in a couple of minutes, but we have it broken down by department.

Mr. Dwayne S. Seymour: Thanks.

The Chairman: Mr. Jones.

Mr. Alan Jones: Yes, Mr. Chairman, if I could just add, my Deputy, with the Director, has undertaken a comprehensive and full review of all of the cards. One of the issues that obviously was identified correctly by the Auditor General, was that there were some cards that were outstanding from employees who had left government. What we are endeavouring to do is put in place the right procedures at the departmental level and at the other ministry levels to ensure that there is a link between the human resources side, ensuring that when an employee leaves government's service that one of the tick boxes is "have they returned their fuel card?" I think we are on top of that, we are stressing to the departments and ministries that they need to continue to manage that side of their businesses and I think that will help the issue significantly going forward.

The Chairman: Mr. Jones, one of the issues that was identified earlier between the initial Auditor General's report and the follow up was that there had been a savings of around 23 per cent from the initial audit to the follow up with the anticipation that if they continued monitoring and some of the recommendations are used, there could be as much as 10 per cent, 12 per cent savings on top of that which starts putting us between 30 per cent and 35 per cent savings on gasoline.

Mr. Carey has basically said that his responsibility of making sure gas is in the pump when you show up to get it, is where his responsibility of monitoring this lies. It falls under the chief officers and CFOs to make sure that the opportunity is taken advantage of to correct the system. Can you give us an update on what you are doing to feel comfortable that you are moving forward in strengthening the system itself?

Mr. Alan Jones: Yes, Mr. Chairman.

Again, there is only so much that our Ministry can do here. We have to put obviously pressure on those other ministries and portfolios to get their own house in order. We have been spending a lot of time on picking up on the director's point. One of the, I wouldn't say it was a complaint, but one of the issues raised by some of the other chief officers in the past has been the lack of good information. So what we are endeavouring to do, and the new system when it's in place will certainly assist in this regard, is ensure that the chief officers and HODs have all of the information they need and that it's accurate. So we can relate a particular vehicle to a particular fuel usage, over a particular period. I think the big drive is to get the information out there.

All we can do—and I know the Deputy Governor is very keen on this and we have been stressing at every chief officer meeting, that the managers have to take responsibility for their own staff and ensure that the system is not being abused.

I think it has to be said that any system that we put in place, no matter what we do, has the possibility to some abuse. I think it's impossible to introduce a perfect system. Having said that, I think we can certainly make sure that we keep on top of it. The fuel card issuance is one of the problems, and I think we are well on top of that now.

I would just pick up on one point that you mentioned earlier, if I could, about the savings. Whilst noting and respecting the Auditor General's comments, I think it has to be said that the figures being quoted are very speculative in nature. How are you going to prove why a particular reduction happened? I don't know. If gas prices have gone up we had the interagency charging which has now come off. Normally when interagency charging is taken away, normally usage increases because there is no incentive for managers to control their fuel usage, and because the fuel is being paid for by our Ministry on their behalf, rather than that particular user or that particular ministry. And also we have gas prices varying substantially.

But all in all I think that the Director and the Deputy CO have done a great job in bringing all of these issues to the attention of the other ministries and portfolios, and I do honestly feel that when we get the new system in place, one with continuing monitoring, I think will ensure that the problem will be addressed properly.

The Chairman: Mr. Glidden.

Hon. Cline A. Glidden, Jr.: Mr. Chairman, maybe there is something I do not understand so I will try to make an analogy to the use of cell phones in government, all right?

Again, I see where in the report we have some departments with drivers that actually have two cards. We have some drivers in some instances that actually had three cards. And then we get reports that even the people that have for a department will get transactions that we see people using one card with multiple vehicles for the same department, I assume. So there is a chart here [Exhibit 4, page 16] that speaks to: **"Multiple transactions occurred with intervals of one minute to an hour."** And [in Exhibit 5, same page] it speaks to: **"Vehicle cards used to purchase fuel more than once during a day."**

So, my challenge is . . . That, to me, appears, now that we understand [that] the responsibility will lay with the chief officers, not with DVES, all right? Their responsibility is to issue the cards as they are told to and to monitor the fuel that is used for each one of those cards. But as far as the chief officers are concerned who have the responsibility, it's like I said, if they get authorisation they go to one of the carriers and buy two or three cell phones and use those phones, I am concerned as to whether a new system is actually going to be able to address that problem.

So, once the reports are given and the department that gets that report says, yes we're showing you that you've [done] a transaction, your card has been used to get fuel more than once a day, obviously that's going to be a different . . . unless they are doing a whole heap of driving in Cayman that's going to be used with multiple cars.

I mean, in my opinion that's enough information for the chief officer who has responsibility, even in the absence of a new system. And when I say the chief officer, not the chief officer for DVES (just to be clear), whoever the respective user of that card is to question and to ensure that it's not being abused.

I guess my question is that if my understanding is correct then the people who are here are not necessarily . . . unless . . . they are doing their job, so it's not that there's an abuse of the system, per se, GASBOY, it's not that people are coming there and they don't know who's using it, our challenge is that the people who are using it are not necessarily using it in a way that they should be using it. All right?

So, unless Mr. Jones is here for one of his departments that is using it incorrectly, my understanding would be that these aren't necessarily . . . we're happy with the existing . . . even with the existing system, with its shortcomings, they are able to control the fuel that is bought, purchased, dispensed, and to give the reports to the respective departments at the given time.

Is that a correct assessment or partial assessment, Mr. Auditor General?

Mr. Alastair Swarbrick: I'll try and address all that, if I can remember all of it!

Ultimately, it's the heads of departments as the accountable officers who are responsible for taking action to address the issues raised. From my perspective DVES can provide some of the information. I think part of the issue is that the GASBOY management system is difficult to draw out the information effectively and easily so they can provide that information.

But at the end of the day, it should be the heads of departments looking at the information regarding the usage of the cards; who has cards, how many transactions, to ask the questions about why they have been using them in this manner and if there are any issues around that. So, ultimately, it is the heads of those departments and up to their chief officers, who are accountable for ensuring that that action is taken. That's clear.

I think there are controls from DVES' perspective which they are responsible for, but the ultimate monitoring of the transactions is down to the heads of departments. And that's quite right, in terms of, if you think about how they work. You know, the heads of departments are going to know about the activities that they should be undertaking, what work they

should be doing, and what the requirements for fuel should be. DVES will never have that information.

Mr. Dwayne S. Seymour: Mr. Chairman.

The Chairman: Mr. Seymour.

Mr. Dwayne S. Seymour: Mr. Chairman, I would like to ask the question in terms of the amount of cards issued to one person. I am not quite sure why a person needs more than one card but if someone can attempt to answer that question in terms of why a person needs more than two cards. In my mind, I don't think a person needs more than one card. But, I await . . .

The Chairman: Mr. Carey.

Mr. John Carey: Mr. Chairman, there should be no reason for an employee to have two cards. There is a vehicle card and an employee card; but they shouldn't have two of each, or more than one of each.

Mr. Dwayne S. Seymour: So are we attempting to . . . I guess again like what—

Mr. Stephen Quinlan, Deputy Director DVES: Mr. Chairman, I will try to shed some light on [Mr. Seymour's] question.

In the past, you had people who transferred from different departments and also people who had relief, like the police would work with different agencies, but they weren't allowed to have privileges from one or the other. Or, if you worked on behalf of another agency you had to use their particular card and vehicle. That has since been done away with, so that should not be an issue at this point.

I know in the past we had officers and different people who transferred . . . again, back to your original statement of those who were exiting, made by the chief officer as well, should have been collected. But some people transferred from department to department and kept the original cards. That's where some of that issue came from. But we went through all of that system and currently that is not the case.

Mr. Dwayne S. Seymour: So, Mr. Chairman, what we are saying then is that there are no more persons with two cards?

Mr. Stephen Quinlan: Mr. Chairman, at this point there should not be, sir.

Mr. Dwayne S. Seymour: I don't know if the Auditor General is comfortable with his findings in terms of . . .

Mr. Alastair Swarbrick: I can't really give an opinion at this stage. We'd have to go back and audit the data to look at that, you know. We're relying on our colleagues to tell you what action they've taken subse-

quent to the reports and the work be undertaken. So, you know, at face value we have to take that as read. But in due course we will probably go back and look at this again as a lost initiative [SOUNDS LIKE] that keeps . . . of interest, shall we say? Public interest.

Mr. Dwayne S. Seymour: Yes, Mr. Chairman. I was just wondering if, with the new system coming in place and new procedures going in place, is there any thought of having persons who have one of these cards to renew it every two years, and if it's not renewed then it's cancelled. That way then you would know who the perpetrators are and you would be able to kick some of the old rejects out of the system in terms of past employees, et cetera. Will there be any consideration, or is that something that you think is worth doing?

The Chairman: Mr. Jones?

Mr. Alan Jones: Yes, Mr. Chairman, it is an interesting point, certainly something we will take on board and consider. I would reiterate again, though, that ultimately the people who know their staff best are the HODs, and if their staff member is leaving and they know they have the card, it's for the HOD to ensure they get the card back.

Having said that, as sort of a belt and braces approach it is certainly something to consider in terms of a sort of a periodic review as you say.

If I could also pick up on a couple of points, just speaking as the Chief Officer for DAWL&A, I can confirm that some of our departments, particularly DEH is a very big user of fuel, probably government's biggest. And we have undertaken a comprehensive review. Every department has signed up and confirmed that they have our new policy in place and all of them have confirmed that no one has more than one card.

If I could just pick up on a couple of points, just by way of explanation as well, there are instances that have been quoted where you see a certain person taking two transactions within a very short period of time, which may appear suspicious. But then on a great many of the occasions there are certainly many that we verified. A good example is MRCU where we have the fogger machines going out and you actually have a vehicle. You fill the vehicle up, you finish that transaction; you then go to the rear of the vehicle and do a second transaction for the generator that runs the fogger on the back. So sometimes these statistics skew what's actually happening, although I am not saying that maybe in the past there haven't been . . . Parks is another good example.

One other things I would just say is that, ironically, one of the things that threw up a bit of a red flag was where you had one person running off a lot of transactions to different vehicles in a certain period of time. A couple of departments—NRA was one of

them, our own Parks Department was another, they actually were proactive and they assigned effectively a fleet manager who controlled every fuel transaction. So, on the face of it, it appears suspicious, but in actual fact when you drill down it was actually a quite successful attempt by those relevant agencies and departments to ensure that one person was controlling it and knew every transaction.

The Chairman: Thank you for that explanation.
Mr. Seymour?

Mr. Dwayne S. Seymour: Thank you, Mr. Jones. I am just still awaiting the tallier in terms of the 14 September 2012, number of cards. Has the tallier tallied?

Mr. Stephen Quinlan: Mr. Chairman, just before we get to that, in addition to the Chief Officer's comments there, with the subsequent quick filling of vehicles, what the department has done also is instead of drivers using one card to fill their vehicle and then fill the machines on the back, we have introduced container cards. So, the two are separate. We get better control as to we know what goes into the vehicle and what is put into a container or equipment.

Also, to the other question from [Mr. Seymour], the new system would eliminate the card system altogether. I don't know how many of you are familiar with the Fob system. The key Fobs would give us . . . the parameters in the new system will give us greater control that we don't have now with the current system exactly.

In terms of lock out, in terms of controlling dollar amount, everything we would be able to control better how people use, limit the times, limit how much they can actually get per day. Currently that system is not available with the current GASBOY that we have. But the new system would give us that ability to better monitor how much fuel is dispensed at any given time.

Mr. John Carey: Mr. Chairman, the numbers for employee cards as at 14 September is 1,102; and for vehicle cards, 846. You can contrast that with the 2009 original number of 1,606/1,164. So there has been a substantial decrease in the amount of employee cards and vehicle cards which I think would correlate with a lot of these duplicate cards that were in the system.

Mr. Stephen Quinlan: Mr. Chairman, just adding to the Director's comments there; what we're also doing is [being] very [vigilant]. We work with the fleet managers of the other departments to constantly track any cards that could have been missed or anything that's fine. We speak to the other departments as well. So, we are not just sitting waiting for somebody to do something; we're out there beyond the DVES ambient making sure that the fleet managers are also contact-

ing other people that may have a card or a question that comes up.

The Chairman: Any other questions or comments from either side?

Mr. Tibbetts.

Mr. D. Kurt Tibbetts: Mr. Chairman, to the Chief Officer of DAWL&A. I heard Mr. Jones' initial comments and those comments were quick to place responsibility with the HODs, and quite rightly so. But I just also heard comments from those who work at DVES. And perhaps I can ask Mr. Jones at this point in time given what we all now know, understanding full well that there is every attempt being made at this point in time to move to a new GASBOY system, even if it's a GASBOY 2 which was explained is totally different.

Does the Ministry itself have any plans, or are they executing any plans to deploy any specific tactics to ensure that from the standpoint of DVES and the Ministry that every effort is made to ensure, new system or not, that there is no re-occurrence of what was discovered in the past? And, understanding, as I said, that there are levels of responsibilities that may go beyond the Ministry and DVES.

Mr. Alan Jones: Mr. Chairman, yes, if I could just clarify one point particularly in relation to Mr. Tibbetts' comments, whilst what I had said, obviously, was that we still feel that the ultimate responsibility sits with the managers, at the Ministry level we do accept that we, if anybody, it is us that should have the oversight role to play here within government. Through the chief officers' regular meetings and groupings and in discussions with the Deputy Governor, we will ensure that the message continues to get out there and we will continue to be vigilant. We will accept to take on some responsibility in terms of ensuring that like our own Ministry other chief officers have got all of their departments to sign up to the appropriate policies.

In terms of our tactics, I am not sure we want to let out of the bag how we are going to be monitoring it at this point, but . . .

Mr. D. Kurt Tibbetts: If you noticed, sir, I didn't ask you what they were!

[laughter]

Mr. D. Kurt Tibbetts: I only asked if you were planning to employ them.

Mr. Alan Jones: In all seriousness, we will be monitoring. We do accept, as I said before, that we have an oversight role here. We're happy to take that role on, as is the Director at DVES.

We have had a great deal of success. I think it is clear that there certainly were some question marks over past government fuel usage. And it was probably

a good wake-up call. As a new chief officer in DAWL&A, I think it's a good opportunity now to come and start with a clean sheet of paper. We have a new director of DVES and he is very enthusiastic, along with his deputy, in ensuring that we get on top of this problem and we stay on top of it. There is no point in putting all of this time and effort into this audit and our review and instigating policies if we don't follow it later.

So, in answer to your question, yes, we will be developing tactics to ensure that we keep on top of the issue.

The Chairman: Secret tactics!

Mr. Alan Jones: Very secret tactics!

The Chairman: Mr. Glidden.

Hon. Cline A. Glidden, Jr.: Mr. Chairman, I am just hoping that we can get some more good news. So we understood that we are taking care of the issue with duplicate cards, as far as you're concerned. And I know the Auditor General says that until he checks we can't verify, but taking that for what was presented, the other concerning issue was cards that were issued to ex-employees and employees without a business need for a card.

Just because I would want it in the record, I am wondering whether the department can say, because if they can't give that information then as a Committee we are going to need to follow up. So, at the time of the report the Health Services Authority had 59 cards that were assigned to ex-employees. And they had 29 cards that were assigned to employees without a business need. Customs Department had 7 still assigned to ex-employees and 28 assigned to employees without a business need. The Planning Department had 21 assigned to ex-employees and 5 to employees without a business need. Airport Authority had 6 still assigned to ex-employees and the Department of Agriculture had 4 to ex-employees and 3 to employees without a business need.

Can anyone in the Department say whether that area has also been successfully addressed, or whether we would have to get that information from the respective HODs for those departments?

Mr. John Carey: Mr. Chairman, the information that I have is that from what we see that doesn't exist. However—

[Inaudible interjection]

Mr. John Carey: What doesn't exist is that there are cards of ex-employees in the system. However, I qualify that by saying that we do not know when employees leave various government entities. And there is a cancellation request form that every HOD is aware of

that should be filled out and submitted to the DVES so that we can cancel those cards.

So, if there were a review today, to my knowledge there should not be. However, I qualify that by saying that if employees have left the public service and the heads of department have not submitted those cancellation forms to us to do so, to cancel those cards out, there is that possibility.

Hon. Cline A. Glidden, Jr.: And, Mr. Chairman, just following up (just before the Auditor General gives me clarification), the reason I asked that question was because we were able to get what appears to have been an improvement on the other issue where we had duplicate cards. Like I said, I started out hoping for some good news. I was hoping to hear that working together given that advice we had been able to address that issue. Otherwise, like I said, as a Committee we need to check to see whether that is still the case or not. I see the Auditor General has some comments.

Mr. Alastair Swarbrick: Mr. Chairman, the responses from the relevant agencies to the Internal Audit report, where these findings were initially addressed, indicated that each and every one of these agencies, those five that we're talking about here, had addressed the issues around ex-employees having cards, or were in the process of addressing that, and those who didn't have a business need for that, at that time. The reality is that we would have to do, from my perspective . . . confirm that. We would have to do some audit work on that perspective. But that was their response to the Internal Audit report findings.

I think in terms of, if we look back to the follow up of the original five agencies, and the ones that indicated that they had addressed that issue as well, that Internal Audit's findings indicated they had addressed those issues. So . . .

Hon. Cline A. Glidden, Jr.: So, good news!

So, if we go down to the other area in the report from the audit findings, and maybe someone can clarify how that would have occurred where we have vehicle fuel cards assigned but not found on the agencies' lists—page 15 of the report. What actually causes that to occur? And how was it addressed?

Mr. Alastair Swarbrick: I don't have the information at hand at this moment in time, Mr. Glidden, unfortunately. We can come back with some more details on that if that would be helpful.

Mr. John Carey: Mr. Chairman, what possibly happens is that vehicles are disposed of and the card assigned to that vehicle, there has not been a cancellation request that comes into the department from the HOD. We're able to flag that when it occurs and communicate to them, but we can't just cancel the

card unless the HOD signs that document so that we can go ahead and do it. There is a right procedure. But that's how that possibly happened where vehicles were disposed of and those cards were still out there.

The Chairman: Mr. Solomon.

Mr. Ellio A. Solomon, PAC Committee member: Mr. Chairman, thank you.

I am wondering if the Director could answer the question in terms of how the relationship works between DVES and the various departments. For example, you're talking about the possibility where employees may actually leave a specific department and at the same time there is no record of that transaction, and as a result of that DVES has not cancelled the card.

I am just curious, perhaps taking a step back, if you are able to say when an individual does a transaction with DVES for fuel, is this something that is automatically electronically recorded at DVES? Does there become a carbon or electronic copy that goes to the department so that they can track it? I wonder if you could explain that, because I see the issue. I want to understand it better and perhaps we can make some recommendations on some ways that could be resolved as well.

Mr. John Carey: Mr. Chairman, what happens when an employee leaves the public service is that the information is not electronically communicated to us. The request should come from the department or the ministry where that employee was employed. If we do not receive that information, the challenge is that we are unable to act to address that until we are able to flag and see certain things in terms of red flags that would come up to us that a certain transaction should not be occurring based on information we have, because it's a small community. We generally have some idea when a person leaves a different department generally. Not in every case.

What would then happen is that we would communicate to the HOD requesting that information, meaning the document signed off for cancellation. Electronically it is not done at this juncture. It is something that could be contemplated with the fuel management system because with the lock-out process once we have information that an employee is no longer in the service, we can lock it out. So, regardless of whether a communication is sent to us saying to cancel, they will not be able to get fuel through that card, or Fob, rather.

Mr. Ellio A. Solomon: Mr. Chairman, again, I just raise it because I think that if there is a way, and I am not familiar with the intricacies of the new system, but I would imagine if that system would accommodate where there are electronic copies that one goes to DVES and a carbon [copied] onto the respective de-

partments, then I think that would naturally be a constant reminder, one that the respective department gets the information, can look at it, keep a track of it. I hope that that information would create the right responsible sensitivity to the issue in terms of management of fuel. And, in addition to that, I think a constant reminder that that particular employer has 15 employees, for example, and that they are flagged with that on a weekly or monthly basis at the minimum they would be able to indicate, *by the way we have lost that employee let's see if we can actually remove it.*

So, I just encourage that you check into whether the GASBOY 2 system does it, and if it can be done, I encourage you to step in that direction.

Mr. John Carey: Mr. Chairman, with regard to the new fuel management system that we've proposed, it will have this capability. In fact, it is going to be interfaced with IRIS so that the Finance Ministry will also have access to everything and be able to see this. So there is the electronic component of communicating the reports on a daily, weekly, hourly, whatever frequency or periodicity that is required to the different departments that would flag all of these kinds of issues.

The Chairman: Thank you.

Mr. Ellio A. Solomon: Mr. Chairman, just to say thank you to the Director on that.

The Chairman: Any other questions?

I would like to thank the witnesses for taking time out of their day to come down here and give us some answers and help us with our report that we have today. Thank you all very much.

Mr. Alan Jones: Thank you, Mr. Chairman; it was a pleasure to be here. I'd like to thank the Auditor General for pointing out these issues to us and, as I say, we guarantee to stay on top of things.

[Pause]

The Chairman: The final two witnesses for this morning will be Honourable Franz Manderson, the Deputy Governor, and Mr. Roydell Carter, Director of Department of Environmental Health.

I would invite both of them, if they have any opening comments they would like to make, starting with Mr. Manderson.

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

I would like to update the Committee on the work that my office has done in relation to the Audit Report on the Fuel Card Usage and Management.

On receiving the report from the Auditor General I immediately wrote to the six chief officers whose

departments and authorities had been identified as being delinquent in implementing the recommendations in the audit report. I gave the chief officers three months to implement the changes and provided them with a draft policy for fuel card usage to implement.

I am pleased to say that all the departments are now compliant, including the Ministry of Health, the Portfolio of Internal and External Affairs, Ministry of Tourism, Ministry of District Administration, Ministry of Education, and the Ministry of Finance. All of those agencies have now taken the necessary action to bring the departments under their remit in compliance with the Auditor General's report.

I certainly want to extend my thanks to all of the chief officers for taking the very quick and decisive action, and I want to let the Committee know that certainly my office takes the work of the Auditor General very seriously. And I want to continue to work to support the work that he's doing and to ensure that his reports and recommendations are viewed seriously and properly addressed.

The Chairman: Thank you.

Mr. Carter, would you like to make any opening comments?

Mr. Roydell Carter, Director, Department of Environmental Health: Mr. Chairman, I just wanted to say specifically from the Department of Environmental Health, certainly that yes we have worked very hard to make sure that everything was in compliance with what we had to do and there were challenges that we had to face in that process, but I am glad that certainly we have accomplished that task and systems are in place and all of the recommendations to continue to forward monitoring of those processes. Thank you.

The Chairman: Mr. Glidden.

Hon. Cline A. Glidden, Jr.: Mr. Chairman, I just wanted to say, obviously we went through a lot of questioning this morning and I am happy that we were able to get the very positive answers to those questions. And so to the Deputy Governor and all of the staff who have worked hard to become compliant, I think this is one of those success stories that we should be proud of and hopefully the other results will be as good.

Mr. Alastair Swarbrick: I would just like to give my perspective. I am appreciative of Mr. Manderson's proactive response to this report and in taking action. And I am encouraged. In terms of the work that we try to do and achieve is to try and help government to improve in its operations and to ensure that there are effective systems and controls in place and that they can manage public money in an appropriate manner. For us to have impact it requires willing partners on the Government's side to take forward and address

the actions and work with us in terms of looking at those issues and a proactive stance in getting recommendations enables us to have the impact we want and also to help Government to improve.

The Chairman: Mr. Solomon.

Mr. Ellio A. Solomon: Mr. Chairman, because I know it was just a simple oversight of my colleague's point I just want to say that we echo the sentiment of our colleague, Mr. Glidden, and again give kudos and all the other requisites to Mr. Franz Manderson and the team who have done a tremendous job in terms of his accomplishment.

The Chairman: With no other questions, I too, on behalf of the Committee, would say that this is the work of the Internal Audit and the work of the Auditor General when the issues are identified, especially the low-hanging fruit that can be taken advantage of quickly. When you see the savings from the first audit to the second and now to hear your implementation in taking advantage of the information that you have, is certainly a very positive step and certainly a step that we hope to see continue throughout government taking advantage of cost-cutting measures that are identified. I congratulate both of you for a job well done and thank you all for being here this morning.

Hon. Franz Manderson: Thank you sir.

Mr. Roydell Carter: Thank you, Mr. Chairman.

[Pause]

The Chairman: That was the last of the witnesses for today. I would . . . Dr. Frank [McField] has not come this morning? We will find out.

The Chairman: Is he there? He's here?

[Pause]

Special Forensic Audit Report of the Auditor General on National Housing and Community Development Trust

The Chairman: I would like to take this opportunity to welcome our next witness, Dr. Frank McField. He's here for the Special Forensic Audit Final Report of the Auditor General on the National Housing and Community Development Trust, issued 30 August 2005.

Dr. Frank, I will give you the opportunity to make opening comments, and then after that I will open it up for questions.

Dr. Frank, before you give your comments, the Auditor General has an opening comment that he'd like to make.

Mr. Alastair Swarbrick: Mr. Chairman, Members of the Public Accounts Committee, ladies and gentlemen. Thank you for the opportunity to provide some initial comments on the three reports that were issued by my office relating to the Affordable Housing Initiative and the National Housing Community Development Trust.

These three reports were issued in 2005. The first was a special report on the Affordable Housing Initiative, which was the result of a performance audit instigated by my predecessor. The other two reports were forensic audits addressing allegations regarding the management and operations of the National Housing and Community Development Trust. These forensic audits were requested by the then Governor and my predecessor accepted the engagement after a preliminary review of the issues identified that there were clearly issues that warranted further examination.

Due to the time since these reports were issued, I do not see significant value in making any significant comments about the details contained in those reports. However, what I feel is an important observation at this time is that most of the issues and concerns that are raised in these three reports bear a striking resemblance to issues that my office and others have identified over the last few years in respect of procurement, project management and governance, including issues recently identified at the National Housing Development Trust during 2011.

The true value of effective audit and scrutiny apart from ensuring that public officials and entities are held accountable for their actions is to ensure that Government and its agencies learn and continue to improve so that the citizens of the Cayman Islands receive better services, outcomes, and value for the funds that they entrust to Government.

It is of concern to me that these three reports highlight issues that continue to be significant today, casting a shadow over the effectiveness of accountability of Government to their stakeholders.

I look forward to assisting the Public Accounts Committee in any way that we can in relation to these reports over the course of this hearing. Thank you.

The Chairman: Thank you, Mr. Auditor General. Dr. Frank?

Dr. Frank McField: You see I have a great capacity to unlearn useless habits . . . So, Mr. Chairman, and Members of the Public Accounts Committee, Auditor General and staff and other members, I know it's very late in the day to be here, but I am very happy that I have had this forum, this opportunity, perhaps if to do nothing else, to be able to place in the history [STAT-IC] . . . in the history . . . can I be heard? . . . in the history my apprehension from the very beginning with the entire process of auditing in the way in which the audit reaches the general public.

My reputation and character, of course, I feel was stained by the way in which the previous Auditor General handled the publication of his findings. It was at a time when we were recovering from a very disastrous hurricane and most of us had undergone a very traumatic experience. My personal meetings with the Auditor General were always a bit emotional and heated because he was a man also that was filled with passion and believed in what he thought was right, or what he thought he had figured out to be right, and he, in my opinion, could cause a person to get very angry at times.

As a result of that, perhaps I did not take the opportunities that he might have made available to me to give him some account of what might have transpired at the National Housing and Community Development Trust level that were not necessarily recorded. It was my opinion and my suggestion to him from the very beginning that politics play a very important role in determining the types of information that was made available to him in the way in which that information was interpreted by persons that worked in and outside the office and the fact that he did not have access to certain types of unwritten information.

My experience with the Government of the Cayman Islands during the period of 2001 to 2005 . . . I have concluded that we are not all very professional. There is still a lot to do in terms of developing our abilities to observe the bureaucratic processes which we have inherited as a result of this traumatic development of the Cayman Islands. And I would beg that the Chairman, who is also a Representative in these Islands, understand that we as politicians do not always follow protocol because sometimes the circumstances that we endure as a result of people's demands and people's needs, might cause us to cut corners. But I don't think that the audit was called because of those reasons. I thought the audit was motivated by political expediency to a certain extent.

So, when I was asked by the Auditor General to explain certain happenings, I recognised that our organisation, the National Housing Community Development Trust, that I was the chairman of, had not been thorough in terms of documentation and explanations. And there was so much that was missing. And this was because of the way in which the Trust was set up so ad hoc, so hurriedly. And I want it to be remembered that when we decided to create the Affordable Housing Initiative there was no budget for housing. There was not even any consideration about housing for the poorer class of people in these Islands. And I did do and use my influence in the Cabinet with the Leader of Government Business, with the Financial Secretary at that time (Mr. George McCarthy) to be able to get it started.

There was no money, and, therefore, how could you even do a project? There were no plans, there was nothing. We started basically with just a desire at that particular time to create something that

had been promised to the people for the last 30 years. And so, if I were to look at my actions from the very beginning I would see that they were wanting. I would see that a more rational government, a more rational minister would have first of all created a plan and then begin to execute the plan after hiring people to do that. But these were not the circumstances in those days.

So, if there is any criticism from those persons who review and criticise and suggest improvements in bureaucratic procedures in government, I believe that many of them have to be valid. But, these are not to be circumstances that we labored under. Our concern was to do something that would cause the Government to have to commit itself to the whole concept of affordable housing for poor people.

All that I had at that time to look at were reports that had been made when the Leader of Government Business at that time was the Minister responsible for Community Services. And he had committees that he called together to discuss this issue and they had visited several places, like Honduras and I think Cuba and perhaps Jamaica. And we took the information that was there at that time and we were also fortunate enough to have Mr. Carson Ebanks who was my then Principal Secretary and who had served also as his Principal Secretary, but, most importantly, had served as the Director of Planning for these Islands for several years.

My idea or my feeling was that I had expert advice available to me, taking the reports that had been compiled before, knowing that I had a principal officer that had experience in building and in planning. So, our first step was to create a document that would outline what the procedures would be in terms of developing this initiative. So we hired a young man to work in office to assist in the development of this particular strategic policy for affordable housing for the people here in the Cayman Islands.

We also then went and hired a project manager who would also be useful; someone that we believed had a significant amount of experience in building in this country. So, I have always been perplexed by the fact that the Minister who is obviously not a builder, has no business experience, per se, but willing to initiate policies that would be good for the social fabric of this country is held responsible for the nails and the bolts and all the other technical aspects of the project. We tend to focus on the politicians in this country but we never focus on the array of other individuals that are involved in just about every significant project, especially those of a physical nature.

So, feeling that somehow we had achieved at least the type of interest and perhaps the expertise to be able to go ahead with this project, we visited the island of Cuba where it had been considered before that they would get materials from, but these materials were more out of concrete. What we discovered was that the government or the persons that were profess-

ing to have these materials and the capability to build these houses were not necessarily telling the truth because that is something that we find very often with Cuba, is that they have this and that until you look for it, and then you don't find it.

So, it happened that one day I met a contact, someone here, who came to say that they had found a material that was affordable, really affordable, and it was an exciting idea. I therefore went off to Cuba with my Principal Secretary to meet the people that it was said had access to these materials, and that [company] was Vetromeccaniche Invest.

This company stems from Italy, but they were doing business in Cuba. And over a period, the first suggestions they gave us with regard to the prices of the houses, what they would cost, really excited us because it meant that we could build a substantial number of houses and we were told that they could be built within a particular time because of the way in which they were fabricated and constructed.

Well, the story goes on. But the main thing that I am saying is that the concentration or the idea that the project was not value for money, because of the construction, because of the material, there was no proof of that offered to me in the beginning. And I am saying that I worked along with other persons whose professional opinions I trusted. And to me, as the Minister, and as a concerned Caymanian, what was important was to be able to deliver houses that people could afford and Government did not have to pay for. And so, we made an agreement. We never tendered for the houses because it was assumed that that price, which in the beginning was around \$30,000 to \$40,000 per unit . . . We went to Cuba, including the Leader of Government Business at that particular time, including people who worked in the construction industry, we went, we saw these places in Cuba. And we were satisfied that these particular structures could stand up to the types of hurricanes that we were used to having in the Caribbean at that particular time.

One of the concerns that we had from the very beginning, which I also voiced, was the impact of the salt. And we were guaranteed on that. So, one of the things that we did, of course, was to get the company that was designing and constructing the houses, to give us an agreement that those houses would last at least for 20 years. That was signed and that was supposed to be there in the Ministry. So, if those houses were to have any structural problem or any types of problems that were caused as a result of the designs or the construction or the material, the company we contracted would be responsible for solving that particular problem.

I don't know what happened to that particular agreement. When we leave Government, we leave, and we don't take any papers or anything with us. But I am just trying to basically sort of outline the kinds of steps that I remembered that we took because a lot of it is, of course, not documented.

Now, one of the problems that happened is that we didn't want to have the basic type of shelter like they had in Cuba, so it meant that we had to create panels where we had to bore through and put the plumbing through and to do this with it and to do that with it, and lots of things were done to make the houses more aesthetically part of the Cayman-type architectural design and environment. And that meant that the price went up and at the end the houses cost almost twice as much as what we originally [priced]. So where we thought we were getting a good steal or a good deal, we ended up getting a price that was much higher. But even when we looked at the price that was much higher, we saw that it was still cheaper than what we would have been able to do with blocks and mortar.

So we have always had this discussion about what do you do? Do you build it with blocks and mortar? Or do you build it with some kind of other new materials. And, of course, we made the decision to go in and do it this way. So, it started this agreement with Vetromeccaniche Invest. And they did a good job.

Mr. Chairman, one of the problems that we had was that they explained from the very beginning their technique. I went to as far as Italy with my Principal Secretary, to look at the way in which they designed the house. They had a house designed there. They showed us the entire principle, almost like a matchbox type of principle, how it is constructed. Now, I was satisfied that these houses could house the class of people that we wanted to cater for. We were not going to make welfare clients out of them, and that's why we were a National Housing and Community Development Trust, why we had social workers be able to work with the people to make sure that we were not creating dependency on the government, but what we were doing was trying to rebuild communities.

So, when we started with the building, we started to reclaim a piece of government land that was very crude, very difficult. It took a lot of work; it took a lot of fill, so quite a lot of money was spent on just reclaiming the land or developing the land for this type of building. We had a piece of land, of course, off Eastern Avenue. We did the same there. We had a rotten piece of land in West Bay, which was very wet. We had to fill it. We had to spend money on that. So a lot of money went into the ground in terms of developing of the lands. And all the time this money was coming from the Treasury to pay for these bills, because we had no budget for this.

So, there was never a time when any money was ever budgeted for the Affordable Housing Initiative that I can remember, and I know my memory is very bad, but I don't remember that we budgeted any money. It was only at the point when we had actually achieved some type of structure, or structures, that we were able to get the loan from the bank. So, we borrowed the money and the bankers came and they

looked at the houses and agreed also that we were doing a good job, that it was a good project, and that they were willing to loan money for this project. So if bankers were willing to loan money for this project, one would assume that there is nothing that we see wrong with the project yet.

We also insured our houses. So if the insurance companies were willing to insure these houses, and bankers were willing to lend money for the houses, then it's not anybody's imagination, or at least it wasn't my imagination at that particular time that anything was structurally wrong with these houses. I am attempting today to basically answer the question of why any rational person would embark upon a project that would be completely demolished a few years after.

Now, we had to have an extra piece of land. And we had a gentleman called Captain Shelby who promised that he would sell us a piece of land in the Windsor Park area. The company had decided that once they mobilised their people they would have to go like that. It's almost like a McDonaldisation of housing. And we got held up because when I tried to bring the paper to Cabinet to be able to acquire the property through compulsory acquisition, the Leader went back on his agreement to go ahead with it because he said it was his supporter and he wasn't going to go ahead with it at that particular time, and his principle, he stated afterwards, was that you should not acquire land through compulsory acquisition. My position was if you can acquire it for roads, then you can acquire it for homes for people.

Anyway, we lost that possibility, so a lot of material sat there at the Fairbanks site waiting to be utilised. The company became very, very frustrated. And at the end of the day the company took the insurance off the material that was there, so that when Hurricane Ivan struck our big loss was in the materials that were there for, I think, 160 more homes that was sitting there. That was a big waste, that. And that happened because we did not proceed in building there. They did not tell us, or I was not told by the manager of the National Housing Community Development Trust that they had threatened to remove it because I was not directly in control of these things. I was only the Minister and also acting as the chairman because I had a project manager and we also had a manager for the National Housing Community Development Trust, Mr. Roger Bodden, at that particular time. And I left those day to day issues in their particular hands.

So, when this all happened, and the hurricane came, they tried to secure the materials there but obviously when the ground got saturated it all loosed and blew away. We never did any boarding up of any of these houses. Most houses in Cayman that survived were boarded up, the windows were protected. Not one of those houses had any type of protection. And the majority of them withstood our great Hurri-

cane Ivan. The biggest damage was in the Eastern Avenue area where you had Cox Lumber and Thompson Shipping with containers there. A lot of those things happened because once the windows were compromised because they were built like a match-box, each side is dependent upon the other, it all became compromised. So we had much more damage there.

But all of those houses were insured. We collected insurance money for those houses. Some of those houses in the Windsor Park area that were damaged that we collected the full amount for, we repaired them back and put them back in the housing pool. So, it was not as if there was no sort of attention to these matters.

Now, when the hurricane came and we had the need for houses, we started to try to move people in as fast as possible. And, of course, we started cutting corners with regard to how we were selecting people. The process that we originally thought we would employ for giving people the lease agreement changed because of the housing needs which came about after Hurricane Ivan, when many, many people did not have someplace to stay. And, of course, the Government brought in their trailers.

So, up until this particular point we had employed a company called Vetromeccaniche Invest. Now, what seems to become very, very confusing with most people that they always refer to now is a company Staunch [PHONETIC]. And we get the question all the time, which was what the Auditor General, at that particular time asked: Why would you hire a company that had no experience above the company that you had before? The answer was that I was very upset with Vetromeccaniche because they had taken the insurance off of the materials that were at Fairbanks. And I had not been notified that this had happened. We had lost a lot of material, and I did not even want to work with them one more day.

I had met some people in Cuba that have a company called Cometal [PHONETIC]. It's operated in Havana, Cuba. And the person who is in charge of the company is a person called Comandante Victor Bordon. He is not a uniform-wearing comandante; he's a comandante that was out of the army very early after the Revolution and has worked as a private citizen doing types of things like this. It was his company that teamed up with a local company, Staunch. So they were basically supplying the expertise and the knowledge to the particular company. No less so than this company international that built the schools, Tom Jones International. Because a company at the end of the day, I can rationally say, a company is not anything more than paper. And a company can buy its expertise. A company does not have to itself have 10 years expertise when it can hire people with 20 years or 30 years expertise to deal with a specific project. And that was the case.

Now, when it came to the repair of the homes, I made the decision that I would be more interested in seeing what kind of prices the Cometal Company through Staunch would be able to offer us and not just rely upon Vetromeccaniche because to a certain extent I think that they had a little bit of a monopoly over the situation. And that, of course, was one of the questions that the Auditor General had about Staunch.

Now, as it moved on, what we had decided then was to perhaps replace the houses on Eastern Avenue with two-storey or three-storey buildings. [I] went to Cuba to look at some of these buildings with the project manager. We were always looking to see what other types of architectural designs for homes we might be able to employ that were cheap, because we knew we had to get them cheap. And so, we decided that what we would do is to re-build Eastern Avenue as more an urban type of housing community rather than what we call semi-detached homes. Of course, the first bid for this, Staunch came as a clear winner.

I was advised by some persons that perhaps what we should do was to send out the bid again which was the second time that we did the bid and which is where the Auditor General gets more involved and where the acquisitions that were made politically and also perhaps, in latent terms of the Auditor General's report of how this tendering process was done, came in.

Now, as I said, and I said it again to try to correct the people in the UDP who criticised it and others who have criticised it, that there were two companies. The companies that built the Affordable Houses were not Staunch; it was Vetromeccaniche. And they were two different companies. We employed Staunch to help repair the houses and they had their crew here and they repaired their houses. They did their work. But because we figured that there were so many people coming into the Island for work because of rebuilding Cayman, maybe the Trust could make some additional money by providing some kind of barracks, accommodations for workers coming into the country. And that's when we started to look at building at Fairbanks this very basic type of accommodation for foreign, low-wage workers that would be coming in to work in the construction industry in terms of repairing the Cayman Islands. And a good person too in regard to this again is Mr. Brian Gibbs, who was the project manager.

Now, we were trying to get building permit permission and we felt unduly held up with that particular project. But for anybody to say that we never had Planning permission for the houses, that they were never inspected and that we never got occupancy licence before we put those people in there is just a fabrication, because CUC is not going to give you electricity. We had water, we had electricity, we had to go through certain types of standards; we met those

standards. The project met those standards and I think that's important for people to remember, that it was not as if there was some kind of conspiracy to push these things through. If there was any conspiracy, the conspiracy started when we started buying things without money; when we had a corporation of people who had their good heart in the sense of trying to get some houses for people on that particular level.

A lot of people were thankful for the opportunity to have those houses and it was a very exciting time. We never thought that there would be a hurricane like Ivan. The houses were not designed to withstand those types of hurricanes. And the fact that some did, the majority of them did, was a tribute, I think, to the strength of the design.

So, Mr. Chairman, when we came now to this particular juncture where we have the question of how much money, which I have always heard being raised by members of your party, and in particular the leader of your party, more or less suggesting that we spent twenty-something thousand dollars, I am reminded that during the time that I was there, that was not the case. What we drew down was, I think, something in the vicinity of perhaps \$12,000 or \$11,000. But the total loan was \$20,000 or \$24,000 . . . million dollars. Yes, million dollars. But it was never that we drew down, as far as I remember.

Now, a lot of money came in from the insurance payment backs. So, I remember when . . . and it is wild for me now, and I don't really sort of think about this and I just got the report really today, but I remember there were several millions of dollars that were there available at that particular period of time. Anyway, I am not going to continue to bore you much more. I just want to explain the situation with regard to Staunch and them getting the money.

The payments that were made were made specifically to purchase materials in Mexico at that time. A Cuban barge went to Mexico to pick up the materials and all of this with the organisation and trying to think they can save money and really going with a particular way, the money was paid to an individual to be able to . . . and it went on a credit card because they bought the materials on a credit card. I don't know, I think there was some mention of \$150,000 or some amount of money in that vicinity, I'm not . . . but I think it was one of those particular points where people started to think money was missing.

So, like when I go around today and I tell people I am poor like the old crab, they say, *No. You can't be poor because you have a lot of money in Mexico.* So, this whole thing . . . and in a society like this that dwells, dwells on this kind of deceit and gossip that this money, which I think is mentioned in the Auditor General's report where he says that this could cause a way of corruption, or some way of whatever, we are not talking about millions of dollars here; we're talking about \$150,000, I think around that amount. And money was used to buy the materials which were

supposed to be used to build these temporary accommodations which were started even before we actually got the thing.

Because if we had. . . We had trailers which were brought into the Island for people to live in. And people were living in these trailers. And we thought, *What's the difference between living in the trailers and us building these temporary accommodations for workers?* And what were they paying for the trailers? They were paying like \$35,000 or \$40,000 per trailer, and we could build these little units much cheaper. That was the logic behind it.

So, I cannot give you all the details or remember all the details. I have just tried to provide you with a framework, with the logic that I felt I was working with and that the people who were along with me were working with as well.

The Chairman: Mr. Seymour.

Mr. Dwayne S. Seymour: Mr. Chairman, I want to thank Dr. Frank for coming and sharing his side of the story and the views that no one else could explain like he did. And definitely I have learned a lot from just hearing all that he has explained and shared. And I definitely hope that any housing trust or the present Ministers, I am sure they have learned from all of the—I don't know if you would call it errors—experiences that we have had in the past with this project, and I am happy to see that we are moving in a new direction in terms of the blocks and mortar that we were all running from. And we know what that would do in terms of cost. And almost running away from a situation of being affordable any more.

But I thank you personally as a citizen of the Cayman Islands for the efforts that you took back then to drive home the necessity of persons in a certain class who had a desire to own a home. I know what it was when I didn't own a home and how hard it was to qualify at a bank, et cetera, when you're working at a certain class in the Cayman Islands. It almost seems like you're left behind, and I know that a lot of people were thankful that you came up with this project and had a desire to satisfy the appetite of this social strata and definitely say it was a step in the right direction no matter how it turned out. We always like to know that everything ends well, but sometimes the experiences we learn in life help us to build a stronger foundation and prepare better for the future.

But I thank you again for coming and explaining your side of the story.

The Chairman: Mr. Auditor General.

Mr. Alastair Swarbrick: I just want to make a couple of points in clarification around the publication of these reports, to start with.

There were three reports. The Special Report of the Auditor General on the Affordable Housing Initiative

still has not been made public by my office at all and subsequent to this hearing hopefully we will make that one, as it gets tabled, public as that relates to reporting under the old Standing Orders of the Legislative Assembly.

With respect to the two Special Forensic Audits that my predecessor was engaged to undertake by the Governor, I have to declare that it was not my office that made those reports public at this stage. They were submitted to the Governor at the time who was the person who actually released those into the public domain. So, at no stage were we involved in actually making those reports public.

With the right to some clarity in terms of . . . it's difficult for me to make any real observations about this as I was not involved in the audit a number of years ago. I will ask my colleagues if they feel there is anything they should add at this stage. But in terms of a couple of issues in how we look at value for money. Value for money is just not about the basic cost at the end of the day, it's about wider facts, issues about efficiency, effectiveness, economy; it's about the whole package about what you are getting for your dollar. It's not just about whether it's the cheapest. Often the cheapest is not the best. But that's not always the case.

In terms of issues around unwritten information, we obviously, as auditors, and I can't speak for my predecessor on how that happened, we all listen and take in accounts from parties through interviews. But we normally, as with everything, look for corroboratory evidence to support those issues and findings. And that is just a point about how we go about audit work.

I think that's all I really want to say at this stage. I will ask my colleagues if they feel there is anything they can add, because a couple of them were in place at the time.

Dr. Frank McField: Mr. Chairman, would it be possible for me to make just one comment?

The Chairman: Absolutely.

Dr. Frank McField: I think that the whole idea of information is something that in this Island is very troubling, because if an audit is done while the Minister is in office, it is completely different than when it is done after the Minister leaves office, because how people present information will completely change. When you're in favour and you are in the Government, the way the people that work with you will give the information will be completely different than when you're gone and you're no longer around. People who were involved in making decisions and people who were charged with certain types of responsibilities no longer have made those decisions or no longer have those responsibilities as far as they are concerned when they are giving the information.

So, this is more or less a recommendation to the Auditor General's office: On this Island you have to be careful about what people tell you when a person turns their back, because they will tell you anything at that particular time. So, the only information that I trust is the information that I will gather when those persons that give that information have to face the person that they are giving the information about. This was the reason why I have waited so long to be able just say my few words, because I knew at the end that it was not the Auditor General of that time. I know that there was information that could have been provided to him from the very beginning, both by the officer in the National Housing Community Development Trust and by persons in my [previous] portfolio that would have clarified quite a few of his questions from the very beginning.

The Chairman: Thank you for that.

Dr. Frank, I want to take this opportunity to thank you for coming here this morning. There are actually three reports on the Affordable Housing. Two have nothing to do with the Public Accounts Committee because they were initiated by the Governor. One is a Public Accounts Committee report.

For your information, what we intend to do, now that we have had your input to this which gives us the balance, is that we will go back now and write a report and will submit all three of those together at the same time when we table it in the House. So, your information that you have given us this morning is extremely important for us to be able to complete the report.

I want to thank you again for taking the time.

Dr. Frank McField: Thank you, sir. Thanks to all the Committee.

The Chairman: That is the last witness of the day. Thank you all for being here.

If the Members could just . . .

[recording ends]

Proceedings in PAC adjourned.



THE STANDING PUBLIC ACCOUNTS COMMITTEE MINUTES OF PROCEEDINGS

Meeting
Tuesday 23rd October 2012
10:15 am

Minutes of proceedings of the Standing Public Accounts Committee's meeting held Tuesday 23rd October, 2012 at 10:50 am in the large Conference Room of the Legislative Assembly Building, Grand Cayman.

Present: Mr Moses I Kirkconnell, JP, MLA – Chairman
Hon Cline A Glidden, Jr. MLA – Member
Hon D Kurt Tibbetts, OBE, JP, MLA - Member
Mr Dwayne S Seymour, MLA – Member

Absent: Mr Ellio A Solomon, MLA – Member

1. Meeting to Order

There being a quorum present (Standing Order 77(2) refers), the Chairman called the Meeting to order at 10:50 and thanked the Members present for attending.

2. PAC Reports for Approval

(a) *Performance Audit Report of the Auditor General on the Fuel Card usage and Management Follow-up.* The Committee reviewed the draft report and agreed to the following PAC comments at paragraph 9 of the Report.

9.01 The Auditor General's Office Report of May 2012 was a follow up Report on the Government's Internal Audit Unit's first phase report on the disbursement of fuel from the Department of Vehicle and Equipment Services in February 2012. The Auditor General's Report indicated that evidence showed that action was taken by the entities audited which has led to significant reduction in the number of fuel cards in use and a reduction in the average month consumption of fuel across government agencies. The Report also indicated that there have been systemic internal control issues relating to the distribution of fuel.

9.02 After hearing from the witnesses the Committee is satisfied with the Deputy Governor's acknowledgement and response to strengthen the controls with the assistance

of the Chief Officers. The witnesses confirmed that there is on-going improvement to the way the fuel is being charged and the method by which the fuel cards are managed.

9.03 The Committee is pleased with the introduction of a new fuel distribution system GASBOY 2, which was implemented in July 2012. In addition a Fuel Card Usage Policy and Procedures and a Fuel Card User Agreement has been implemented.

(b) Public Interest Report of the Office of the Auditor General on the Road Paving Expenditure in Cayman Brac – The Committee agreed to ask the Attorney General for a legal opinion on the question whether activities of the paving programme was carried out in accordance with the Roads Law, the National Roads Authority Law and the Public Management and Finance Law.

(c) Performance Audit Report of the Office of the Auditor General on the Management of Overseas Medical Services – the Committee reviewed the Report and agreed to the following PAC comments at paragraph 9:

9.01 The Auditor General's Office conducted an audit of the Cayman Islands Insurance Company Ltd for the period of May 2009 through April 2011 to determine if the Cayman Islands Government was providing overseas health management services in a cost effective manner. It was determined that the services was not effectively managed, leading to the likelihood that the Government wasted public resources in providing the services. It was also determined that the services were not controlled and administered in a manner that would provide meaningful information on how well the services were being provided. A number of issues were identified which created an environment of increased risks in the delivery of cost effective overseas medical services. The Auditor General's Report made a number of recommendations to which the Management of CINICO agreed.

9.02 Upon hearing the witnesses called the Public Accounts Committee is satisfied that the recommendations in the Auditor General's Report around the management framework and the role and responsibilities of the Board of Directors are being implemented. This is in addition to changes which the current CEO and Board had commenced prior to the Auditor General's Report.

9.03 The Committee is confident that under the present management there will continue to be improvements to the operation of CINICO which will place the Company in a better position to deliver overseas health management services in a cost effective manner.

(d) Special Report of the Auditor General on the Affordable Housing Initiative and the Special Forensic Audit Reports of the Auditor General on the National Housing and Community Development

Trust– the Committee took note of the Auditor General’s comments in the Special Report and the submission of the witness. The Committee agreed for the following comments at paragraph 9 of the PAC Report:

9.01 The Audit Office was concerned with how the Affordable Housing Initiative was initiated and with the procurement of goods and services for the project. A review took place on whether the project was executive in an economically viable way and that the procurement of goods and services were in accordance with applicable laws and regulations, with due regards to value for money. Subsequent to the Special Report of the Auditor General on the Affordable Housing Initiative the Auditor General was mandated by the then Governor to carry out a special forensic audit on the National Housing and Development Trust from the inception of the Affordable Housing Initiative. The audit was carried out in two parts which resulted in the Auditor General’s Special Forensic Audit Reports dated 17 June 2005 and 30 August 2005.

9.02 The Committee agreed with the view of the Auditor General that after the conceptualization of the initiative by the then Minister of Housing, the National Housing Trust should have been set up with its initial task being to develop a strategic plan to address the mode and timing of construction, the sourcing of financing and the overall management of the housing project. The Committee agreed that this would have provided decision makers with more comprehensive and detailed information and better means of assessing the financial feasibility of the project.

3. The Auditor General’s Report for consideration

(a) *Management of Major Capital Projects – June 2012* – the Committee agreed that witnesses would be called to address the Report and advise the Committee on how the recommendations of the Report were being facilitated.

(b) *Financial and Performance Reporting – Progress Update as at October 2012* – The Auditor General indicated that the Auditor General’s Office was in the process of preparing a detailed report for each Ministry and Portfolio which would be completed in January 2013. The Committee agreed that the witnesses would be called in an attempt to determine the key impediments to getting the financials reporting up to date.

(c) *OAG Annual Reports and Accounts for 2011 and 2012* – The Committee agreed to lay the Reports on the Table of the House at the next meeting.

4. Confirmation of Minutes

The following minutes were reviewed by the Committee, amended and approved on a motion moved by Hon Kurt Tibbetts.

- **18th September 2012 (with witnesses)**
- **19th September 2012 (with witnesses)**

5. Approval of the Auditor General's Office Invoices

The Committee reviewed and approved the following Auditor General's invoices on a motion by Hon Kurt Tibbetts.

- Invoice No. 205949 dated 5th October 2012 in the amount of CI\$50,080.64

6. Other Business

Hon Cline Glidden inquired on the matter of Mr Peter Young and indicated that Mr Young was still awaiting a response from either the Auditor General or the Chairman of the PAC regarding the issue of him being referred to as an 'analysis' in the Auditor General's Report on *Report on the Management of Government Procurement – Case Studies – August 2011 to 2011* to describe a service which Mr Peter Young provided to the Premier.

The Auditor General advised that Committee that the last correspondence between his office and Mr Young's attorney took place in January 2012 and he was of the opinion that the matter was concluded.

The Auditor General agreed to review the correspondence and advise the Committee. The Committee would then decide on a formal response to Mr Young.

7. Adjournment

There being no other business the Chairman adjourned the meeting at 12:40pm