



CAYMAN ISLANDS

2014/2015 Session of the

LEGISLATIVE ASSEMBLY

REPORT

of the

STANDING

PUBLIC ACCOUNTS COMMITTEE

on the Reports of the

Office of the Auditor General on the

Governance in the Cayman Islands Government:

Key Messages – December 2013

Describing the Framework – December 2013

How Core Government Manages Resources – December 2013

The Accountability of SAGCs – December 2013

A Survey of SAGC Governance – December 2013

Laid on the Table of Legislative Assembly on this

day of

2014

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**REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE
ON THE REPORTS OF THE OFFICE OF THE AUDITOR
GENERAL ON THE GOVERNANCE IN THE CAYMAN ISLANDS
GOVERNMENT - DECEMBER 2013**

SUMMARY REPORT

1. REFERENCE

The Standing Public Accounts Committee of the Cayman Islands Legislative Assembly, established under Standing Order 77(1), met to consider the Reports prepared and submitted by the Auditor General. The Reports under the overarching theme of *Governance in the Cayman Islands Government* comprised the following:

- *Key Messages;*
- *Describing the Framework;*
- *How Core Government Manages Resources;*
- *The Accountability of Statutory Authorities and Government Companies (“SAGCs”); and*
- *A Survey of Statutory Authority and Government Company (“SAGC”) Governance.*

2. PAPERS CONSIDERED

In accordance with the provision of Standing Order 77(3), the Committee considered the following Reports referred by the House:

- *Report of the Office of the Auditor General on the Governance in the Cayman Islands Government: Describing the Framework – December 2013;*
- *Report of the Office of the Auditor General on the Governance in the Cayman Islands Government: How Core Government Manages Resources – December 2013;*
- *Report of the Office of the Auditor General on the Governance in the Cayman Islands Government: The Accountability of Statutory Authorities and Government Companies – December 2013;*
- *Report of the Office of the Auditor General on the Governance in the Cayman Islands Government: A Survey of Statutory Authority and Government Company Governance – December 2013; and*
- *Report of the Office of the Auditor General on the Governance in the Cayman Islands Government: Key Messages – December 2013.*

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 these Reports of the Auditor General:

Mr Roy McTaggart, MLA – Chairman

Hon McKeeva Bush, MLA – Deputy Chairman

Mr Winston Connolly, MLA – Member

Mr Joseph Hew, MLA – Member

Capt Eugene Ebanks, MLA – Member

4. MEETINGS OF THE COMMITTEE

The Committee reviewed the Minutes of six (6) meetings held to consider the Reports:

- (i) Thursday, 16th January 2014
- (ii) Wednesday, 19th February 2014
- (iii) Wednesday, 6th August 2014
- (iv) Wednesday, 3rd September 2014
- (v) Tuesday, 16th September 2014
- (vi) Wednesday, 15th October 2014

5. ATTENDANCE OF MEMBERS

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

6. PERSONS IN ATTENDANCE

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

- Mr Alastair Swarbrick, Auditor General – Office of the Auditor General
- Mr Garnet Harrison, Deputy Auditor General – Office of the Auditor General
- Mr Martin Ruben, Audit Principal of Performance Auditing – Office of the Auditor General
- Hon Kenneth Jefferson, Financial Secretary and Chief Officer – Ministry of Finance and Economic Development
- Ms Anne Owens, Senior Assistant Financial Secretary – Ministry of Finance and Economic Development

- Mr Micheal Nixon, Senior Assistant Financial Secretary – Ministry of Finance and Economic Development
- Mr Ronnie Dunn, Acting Accountant General – Budget and Management Unit, Treasury Department

7. WITNESSES CALLED BEFORE THE COMMITTEE

In accordance with the provisions of Standing Order 77(4), the Committee invited public officers and members of staff of a non-Government organisation to give information and explanation to assist the Committee in the performance of its duties. The following persons appeared before the Committee to give evidence:

- Mrs Gloria McField-Nixon, Chief Officer – Portfolio of the Civil Service
- Mrs Jennifer Ahearn, Chief Officer – Ministry of Health, Sports, Youth and Culture
- Hon Kenneth Jefferson, Financial Secretary – Ministry of Finance and Economic Development
- Mr Micheal Nixon, Senior Assistant Financial Secretary – Ministry of Finance and Economic Development
- Mr Samuel Rose, Cabinet Secretary and Chief Officer – Cabinet Office
- Mr Robert Lewis, Director – Policy Co-ordination Unit, Cabinet Office
- Mr Kirkland Nixon, Chairman – Cayman Islands Airport Authority Board of Directors
- Mr Albert Anderson, Chief Executive Officer – Cayman Islands Airports Authority
- Mr Errol Bush, Chairman – Port Authority of the Cayman Islands
- Mr Paul Hurlston, Port Director – Port Authority of the Cayman Islands
- Mr Brian Wight, Chairman – Board of Directors of the Cayman Turtle Farm
- Mr Timothy Adam, Managing Director – Cayman Turtle Farm
- Mr Franz Manderson, Deputy Governor and Head of the Civil Service – Office of the Deputy Governor
- Mr Peter Gough, Strategic Advisor to the Deputy Governor – Office of the Deputy Governor
- Mr Vinton Chinsee, Chief Financial Officer – Ministry of Home and Community Affairs
- Ms Lizzette Yearwood, Chief Executive Officer – Health Services Authority of the Cayman Islands

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), all meetings at which witnesses were invited to provide information should be held in an open forum. This decision was taken to promote openness and accountability in Government.

9. INTRODUCTION AND PAC COMMENTS

9.01 The Reports of the Auditor General were carried out in Grand Cayman. The objectives of the Reports were as follows:

- (i) To determine whether the core government governance framework is being applied in practice and whether it meets good governance principles for public organizations, as appropriate for the Cayman Islands; and
- (ii) To determine whether Statutory Authorities and Government Companies (“SAGCs”) are meeting the constitutional and legislative requirements for accountability to core government and whether these arrangements meet good governance standards, as appropriate for the Cayman Islands.

9.02 The Committee noted that two of these Reports contain specific recommendations by the Auditor General, namely:

- (i) *How Core Government Manages Resources* – twelve recommendations contained in Appendix 3 found on pages 42 to 44 of the Report; and
- (ii) *The Accountability of Statutory Authorities and Government Companies* – five recommendations found in Appendix 2 found on page 24 of the Report.

The Committee considered and agrees with all the recommendations made by the Auditor General in these Reports.

9.03 While it is pleased to note that the Government has begun work on a number of areas which will hopefully address some of the areas for improvement identified in the Reports (see *Key Messages*), the Committee urges the Government to commit the resources needed to take the actions necessary to effectively and efficiently implement these recommendations in a comprehensive and cost effective way.

9.04 The Committee also makes the following recommendations:

- (i) Government should develop a training course that clearly articulates what is meant by Good Governance (i.e. the principles of Good

Governance) and why it is important to the Public Service. This course should be delivered to all personnel in positions of management in the Civil Service and members of the Board and management of all Statutory Authorities and Government Companies (“SAGCs”); and

- (ii) Annual performance agreements for all personnel in core government and SAGC’s who have responsibility for ensuring that the principles of Good Governance are implemented and upheld, should include specific goals and commitments to meeting the objectives and compliance with the Public Management and Finance Law.

9.05 The Committee noted the Office of the Auditor General’s commitment to monitoring the progress of recommendations through their performance audit program and individual governance reviews in SAGCs and welcomes periodic updates on their findings.

ACKNOWLEDGEMENT

The Committee is most appreciative of the efforts of the Auditor General and his staff in presenting very fair, comprehensive and informative Reports 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 following Reports of the Office of the Auditor General:

- Governance in the Cayman Islands Government: *Describing the Framework – December 2013*;
- Governance in the Cayman Islands Government: *How Core Government Manages Resources – December 2013*;
- Governance in the Cayman Islands Government: *The Accountability of Statutory Authorities and Government Companies – December 2013*;
- Governance in the Cayman Islands Government: *A Survey of Statutory Authority and Government Company Governance – December 2013*; and
- Governance in the Cayman Islands Government: *Key Messages – December 2013*.

Mr Roy McTaggart, MLA – Chairman

Hon McKeever Bush, MLA – Deputy Chairman

Mr Winston Connolly, MLA – Member

Mr Joseph Hew, MLA – Member

Capt Eugene Ebanks, MLA – Member



THE STANDING PUBLIC ACCOUNTS COMMITTEE MINUTES OF PROCEEDINGS

Meeting
Wednesday, 6th August 2014
10:00am

Minutes of proceedings of the Standing Public Accounts Committee's meeting held Wednesday, 6th August 2014 at 10:00am in the Large Conference Room of the Legislative Assembly Building, Grand Cayman.

Present: Mr Roy McTaggart, MLA – Chairman
Hon McKeeva Bush, MLA – Deputy Chairman
Mr Winston Connolly, MLA – Member
Mr Joseph Hew, MLA – Member
Capt Eugene Ebanks, MLA – Member
Ms LeSanneo McLaughlin – Clerk of the Public Accounts Committee

Attendees: Mr Alastair Swarbrick, Auditor General – Office of the Auditor General
Mr Martin Ruben, Audit Principal of Performance Auditing – Office of the Auditor General
Mr Patrick Smith, Financial Audit Manager – Office of the Auditor General

1. Meeting Call to Order

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

2. Apologies

All Members of the Committee were present therefore there were no apologies.

3. Approval of PAC Minutes

There were no minutes to approve. All minutes prior to this meeting was approved and formed part of the PAC Report Annual 2013-2014.

4. Matters Arising from Meetings

There being no minutes there were no matters arising from the minutes.

5. Approval of Auditor General Invoices

- Invoice No 206351 dated 6 July 2014 for the amount of \$78,197.89

Capt Eugene Ebanks queried item no. 6 on the invoice. He wished to ascertain the involvement of the OAG with the Hazard Management Department. Mr Ruben confirmed that the Office of the Auditor General supports the work of HMCI by providing resources to the Support Services Cluster group in 2 ways:

1. *Martin Ruben is the cluster group manager providing oversight of the group's five subcommittees and ensuring operational readiness in the event of a disaster*
2. *Garnet Harrison backed up by members of the OAG provide leadership of the International Aid subcommittee*

These responsibilities require maintaining and updating documentation, preparing plans, training, monitoring progress, and attending informational meetings during the course of the year.

Mr Connolly further queried the January 2014 Consultant Fee for \$1,549.38 listed for July outputs. Mr Ruben confirms it was missed from January's billing and is now being included for payment.

The above invoice was **approved** by a motion moved by Mr Winston Connolly and second by Capt Eugene Ebanks.

6. Review of Round Robin – Letter Re: OAG 2013-14 Deficit Agreement

The Chairman advised that the above mentioned letter was sent out by Round Robin however not enough responses were received. He therefore requested to have the letter reviewed once again for the Committee's approval. The Auditor General gave a brief overview of what the letter entailed.

The OAG 2013-2014 Deficit Agreement was **approved** by a motion moved by Mr Winston Connolly and seconded by Mr Joseph Hew.

7. Auditor General's Update on Current Program of Work

An OAG Progress Report dated 30 July 2014 was distributed to Members prior to the meeting via email. The Auditor General provided an updated version of the Report dated 6th August 2014 to the Committee and followed with a brief update on his office's work progress.

Mr Connolly inquired whether there would be a follow up to the recommendations of the Capital Projects. The Chairman confirmed that as the PAC produces reports after hearings which include recommendations the PAC should expect a response back on those recommendations. Therefore a follow-up would be necessary.

Mr Ruben confirmed that the OAG have made recommendations in the past but have found the same issues.

8. Review of the OAG Report: Management of Travel and Hospitality Expenditures

The Auditor General gave a brief overview of the above mentioned Report. The key findings were that there are policies but no system and practices in place. There are also some cases where there are no documentation which show travel confirmations and a CFO not authorizing expenditures appropriately or managing it affectively. A lot of issues have been found with the travel advances; one being no repayments from the person who requested the advances and no proper management of these expenditures. The OAG requested further review of transactions however they did not receive a response as the transactions were disclaimed.

The Committee agree to have a public hearing of the above mentioned Report by a motion moved by Mr Winston Connolly and seconded Capt Eugene Ebanks.

9. Review of the FS Audited Accounts of the Cayman Islands Government for the Year Ended 30th June 2011 (Tabled in Cayman Brac)

The Chairman explained to the Committee that PAC is responsible for reviewing the Financial Statements Audited Accounts of the CI Government and they should commence such practices.

The Committee agree to have a public hearing of the above mentioned Report by a motion moved by Capt Eugene Ebanks and seconded by Mr Winston Connolly.

10. Any Other Business

There was no other business.

11. Scheduling of Next Meeting

The Committee agreed that meetings on the Governance Reports would commence on Wednesday, 3rd September 2014.

The Chairman suggested having meetings scheduled consecutively, either for September 3rd to 5th or a hearing each week in September, to successfully complete the hearings on the Governance Reports, the Management of Travel and Hospitality Expenditures and the FS Audited Accounts of the Cayman Islands Government for the Year Ended 30th June 2011 (Tabled in Cayman Brac). This would depend on the availability of the Chamber due to House Sitings and of the witnesses.

12. Adjournment

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



Legislative Assembly of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting held *with Witnesses*
Wednesday, 3rd September 2014
10:00am

Minutes and verbatim transcript of the meeting of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly Building, Grand Cayman on Wednesday, 3rd September 2014 at 10:00am.

Present: Mr Roy McTaggart, MLA – Chairman
Mr Winston Connolly, MLA – Member
Mr Joseph Hew, MLA – Member

Ms LeSanneo McLaughlin – Clerk of the Public Accounts Committee
Ms Shiona Allenger – Assistant Clerk of the Legislative Assembly

Apologies: Capt Eugene Ebanks, MLA – Member

Absent: Hon McKeever Bush, MLA – Member

In Attendance:

Mr Alastair Swarbrick, Auditor General – Office of the Auditor General
Mr Garnet Harrison, Deputy Auditor General – Office of the Auditor General
Mr Martin Ruben, Audit Principal of Performance Auditing – Office of the Auditor General

Hon Kenneth Jefferson, Financial Secretary and Chief Officer – Ministry of Finance and Economic Development
Ms Anne Owens, Senior Assistant Financial Secretary – Ministry of Finance and Economic Development
Mr Micheal Nixon, Senior Assistant Financial Secretary – Ministry of Finance and Economic Development

Mr Ronnie Dunn, Acting Accountant General – Budget and Management Unit, 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 Reports of the Auditor General:

- a) *Governance in the Cayman Islands Government: Key Messages – December 2013*
- b) *Governance in the Cayman Islands Government: Describing the Framework – December 2013*
- c) *Governance in the Cayman Islands Government: How Core Government Manages Resources – December 2013*
- d) *Governance in the Cayman Islands Government: The Accountability of Statutory Authorities Government Companies – December 2013*
- e) *Governance in the Cayman Islands Government: A Survey of Statutory Authorities Government Company Governance – December 2013*

2. Meeting to Order

There being a quorum present (Standing Orders 77(2) refers), the Chairman called the meeting to order at 10:14am.

3. Welcome

The Chairman gave a brief welcome to the Members of the Public Accounts Committee and the staff of the Office of the Auditor General, Treasury Department, and the Ministry of Finance and commenced the meeting with a Prayer by Mr Winston Connolly.

4. Reports of the Auditor General: –

- a) *Governance in the Cayman Islands Government: Key Messages – December 2013*
- b) *Governance in the Cayman Islands Government: Describing the Framework – December 2013*
- c) *Governance in the Cayman Islands Government: How Core Government Manages Resources – December 2013*
- d) *Governance in the Cayman Islands Government: The Accountability of Statutory Authorities Government Companies – December 2013*
- e) *Governance in the Cayman Islands Government: A Survey of Statutory Authorities Government Company Governance – December 2013*

The Auditor General made an opening statement on the above mentioned Report. The Chairman then invited witnesses to the Chamber and asked them to state their names, the persons attending with them if any and department or organization they were representing. The Chairman then opened the floor for opening statements from the witnesses preceded by questions from the Public Accounts Committee Members.

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

- *Mrs Gloria McField-Nixon, Chief Officer – Portfolio of the Civil Service*
- *Mrs Jennifer Ahearn, Chief Officer – Ministry of Health, Sports, Youth and Culture*
- *Hon Kenneth Jefferson, Financial Secretary – Ministry of Finance and Economic Development*
- *Mr Micheal Nixon, Senior Assistant Financial Secretary – Ministry of Finance and Economic Development*

- *Mr Samuel Rose, Cabinet Secretary and Chief Officer – Cabinet Office*
- *Mr Robert Lewis, Director – Policy Co-ordination Unit, Cabinet Office*
- *Mr Kirkland Nixon, Chairman – Cayman Islands Airport Authority Board of Directors*
- *Mr Albert Anderson, Chief Executive Officer – Cayman Islands Airport Authority*
- *Mr Errol Bush, Chairman – Port Authority of the Cayman Islands*
- *Mr Paul Hurlston, Port Director – Port Authority of the Cayman Islands*
- *Mr Brian Wight, Chairman – Board of Directors of the Cayman Turtle Farm*
- *Mr Timothy Adam, Managing Director – Cayman Turtle Farm*

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.

5. Any Other Business

There was no other business.

6. Adjournment

There being no other business the meeting was adjourned by the Chairman at 4:00pm.

**OFFICIAL VERBATIM TRANSCRIPT
STANDING PUBLIC ACCOUNTS COMMITTEE
WEDNESDAY
3 SEPTEMBER 2014
10:19 AM
*1st Meeting with witnesses***

**AUDITOR GENERAL'S PERFORMANCE REPORTS
ON GOVERNANCE IN THE CAYMAN ISLANDS (December 2013):**

- **KEY MESSAGES**
- **DESCRIBING THE FRAMEWORK**
- **HOW CORE GOVERNMENT MANAGES RESOURCES**
- **THE ACCOUNTABILITY OF SAGCS**
- **A SURVEY OF SAGCS GOVERNANCE**

Verbatim transcript of proceedings of the Standing Public Accounts Committee, held in the Chamber of the Legislative Assembly Building on 3 September 2014, at 10:19 am.

Present: Mr. Roy McTaggart, JP, MLA – Chairman
Mr. Winston Connolly, MLA – Member
Mr. Joseph Hew, MLA – Member
Ms. LeSanneo McLaughlin – Clerk of the Public Accounts Committee
Ms. Shiona Allenger – Assistant Clerk of the Legislative Assembly

Apologies: Hon. McKeever Bush, MLA – Member
Capt. Eugene Ebanks, MLA – Member

In attendance: Mr. Alastair Swarbrick Auditor General, Office of the Auditor General
Mr. Garnet Harrison Deputy Auditor General, Office of the Auditor General
Mr. Martin Ruben Principal, Audit Office, Office of the Auditor General
Mrs. G. McField-Nixon Chief Officer - Portfolio of the Civil Service
Mrs. Jennifer Ahearn Chief Officer - Ministry of Health, Sports, Youth & Culture
Hon. Ken Jefferson Financial Secretary - Ministry of Finance & Economic Development
Mr. Micheal Nixon Senior Assistant Financial Secretary - Ministry of Finance & Economic Development

Mr. Samuel Rose Cabinet Secretary and Chief Officer - Cabinet Office
Mr. Robert Lewis Director Policy Co-ordination Unit, Cabinet Office
Mr. Kirkland Nixon Chairman - Cayman Islands Airports Authority Board of Directors
Mr. Albert Anderson Chief Executive Officer – Cayman Islands Airports Authority
Mr. Thom Guyton Deputy Chairman - Cayman Islands Airports Authority Board of Directors
Mr. Errol Bush Chairman - Port Authority of the Cayman Islands
Mr. Paul Hurlston Port Director - Port Authority of the Cayman Islands
Mr. Brian Wight Chairman - Board of Directors, Cayman Turtle Farm
Mr. Timothy Adam Managing Director, Cayman Turtle Farm

The Chairman: Good morning everyone. I'd like to go ahead and call our meeting to order.

I'd like to say welcome to everyone to this public meeting of the Public Accounts Committee [PAC]. As is our custom, before we actually begin our deliberations this morning I'd like to ask Mr. Winston Connolly, member of the PAC, to lead us in a word of prayer.

PRAYER

Mr. Winston C. Connolly, Jr.: O God, our heavenly Father in whom we put our trust, our hopes and our aspirations, we beseech you to guide these deliberations today. Guide our questions and the answers so that they may be put to good use and be relevant to the circumstances.

We ask you to bless the Chairman, give him the wisdom to undertake these proceedings, and all the members and witnesses, so that when we finish our deliberations they can be put to the glory of God and the betterment of the Cayman Islands.

I ask all these in Jesus' name. Amen.

The Chairman: Please be seated.

I would like the record to reflect that we are quorate. Notwithstanding that, we have had apologies from Captain Eugene Ebanks, who is off Island. And Mr. Bush had indicated that he would make efforts to be here, but he would be late, if he does make it at all.

Really, the one item on our agenda today to hold public hearings and discussions on is regarding the Auditor General's Performance Reports on Governance in the Cayman Islands Government. These reports were released by the Auditor General in January 2014 and it has taken us some time to be able to convene a PAC to hold these public hearings. The report comprises five papers, one dealing with key messages from the report . . .

[Short pause]

The Chairman: Sorry.

The first report describes the governance framework in the Cayman Islands; the second report describes how core government manages resources; followed by the accountability of Statutory Authorities and Government Companies and a survey of Statutory Authorities and Government Companies' governance; and finally, the key messages coming from this investigative report.

As is our custom too, at this point I would like to welcome the Auditor General and his team to this meeting and invite him at this time to make an opening statement with regard to the content and findings of this report.

Auditor General?

Mr. Alastair Swarbrick, Auditor General: Thank you, Mr. Chairman.

Members of the Public Accounts Committee, officials from the Ministry of Finance, ladies and gentlemen, good morning.

I have with me today Mr. Garnet Harrison, the Deputy Auditor General, and Mr. Martin Ruben, the Audit Principal responsible for performance audits and who led the audit work supporting the reports you will be reviewing today.

Thank you for the opportunity to make some opening remarks. I would like to take the committee members through the reason for conducting the audit work being discussed today to discuss some of the key findings and to highlight how we believe Government could use these reports to improve how it manages public resources.

Over the last 10 years the Office of the Auditor General has issued a number of special reports, or performance audit reports, that highlight significant deficiencies in how Government manages public resources. For example, we reported on deficiencies about how Government manages procurement and

found there were significant opportunities for saving money and reducing the risk of waste and abuse. After issuing this and other reports, we saw that the Government has taken limited action to address the problems we identified.

Rather than continue to report on the same problems again and again, such as government activities that lack transparency and accountability, don't attain value for money, or waste public resources, we commenced working in late 2012 to get at what we believe are the underlying causes for the problems and why the Government was unable to address them.

The office undertook a significant review of governance to address the underlying issues and assess whether the governance framework operating in the Cayman Islands Government is fit for purpose and if it was operating as it was intended. Whilst good governance across government is important for ensuring compliance and conformance with the standards and principles expected of a robust, democratic society and economy, more importantly it is about ensuring better outcomes and results for residents, such as better education, better healthcare and a better quality of life generally.

As we note in our reports, good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes. The foundation for the governance framework in the Cayman Islands has been established by the Constitution, the Public Management and Finance Law, the Financial Regulations, the Public Service Management Law and the Personnel Regulations.

We used the principles of good governance as laid out by the United Kingdom Independent Commission on Good Governance as our benchmark, or criteria, for our assessment. These principles are very similar to many other studies and papers that outline what good governance should look like in public sector entities. The principles are straightforward and can be followed by any government of any size. Following the principles of good governance to the extent possible would ensure that the Cayman Islands Government operates in a fully transparent manner and is accountable for its actions and the resources it uses.

In carrying out our work, we found that the government's framework is, for the most part, fit for purpose and effectively designed to enable government to deliver the kinds of services expected by the people of the Cayman Islands. We noted some exceptions, and in some instances it is overly complex. But, on the whole, we believe that the Constitution and the major legislation in place provide a good framework. One of the reports we issued, entitled, [Describing the Framework](#), provided a description of this framework, and it is important to the transparency and accountability for the collection and use of public monies.

Our reports highlight, however, significant deficiencies on how this governance framework has been implemented and operated in the Cayman Islands Government, both in core government and in the Statutory Authorities and Government Companies [SAGC]. Administrators in government have implemented systems and practices that focus on activities not results. And for the Legislative Assembly, this means that it doesn't know how well programmes and services are being delivered for the resources being spent.

In effect, while the Public Management and Finance Law, Public Service Management Law and the Constitution provide a clear framework for Government to manage public resources effectively, no one has taken the leadership and put in place an implementation plan for the policies, systems and practices that need to exist for good governance to be followed.

Some of the significant weaknesses I have entered in my reports relate to the lack of clarity and responsibilities between politicians and administrators, and the involvement of politicians in administrative transactions associated with government operations. While we have clearly documented the role of ministers and officials in our report, we found that they frequently operate outside their stated roles. By operating outside the realm of good governance, the Cayman Islands Government faces increased risks of poor decision making, wasting public funds, abuse and corruption, and a significant decrease in accountability and transparency, all of which we have seen through our audits in recent years.

We believe this issue results in greater governance expenditure. At a time when the Government has a tremendous challenge to save money to make their budgets work more needs to be done to establish a clearer understanding and framework for the roles and responsibilities of politicians and administrators in the Cayman Islands Government.

The second major weakness I would like to raise in my opening remarks is a lack of sound accountability framework for the Statutory Authorities and Government Companies. While the legislation is sufficiently clear on what needs to be done, and the roles and responsibilities of ministers, chief officers and boards of directors, no one has taken a leadership role to appropriately develop the policies, systems and practices to hold these entities to account, and, more importantly, for these entities to operate effectively to deliver the results to the people of the Cayman Islands. The continuing impact of this lack of accountability is a waste of public funds.

The five reports you have before you today address governance from four different perspectives. The fifth report is a summary of the four reports and a description of the key messages included in those reports. Again, I would like to mention that the reports highlight many issues that show the Cayman Islands

Government is operating outside the realm of good governance. For example, an important element of good governance is a strong culture of ethics and values reinforced by a solid management framework. We found that while there are elements implemented, like a code of conduct, a set of public service values and seminars, there is a lack of consistent action to ensure ethics and values are imbedded continuously and continuously reinforced.

We are pleased to say that we have had good discussions on these reports with the Deputy Governor and his team, and that he has provided a comprehensive response to recommendations in the audit reports. However, we are concerned that government is once again addressing significant governance and management issues by passing more legislation. We believe that the administrative arm of government needs to reorganise itself more effectively, develop a comprehensive change-management strategy and identify individuals to lead the key change-management initiatives that would address the many issues identified in the four reports.

While taking some type of action along these lines, the Office of the Auditor General will undoubtedly continue to report on systematic poor performance and the inability of Government to provide transparent and accountable services to the people of the Cayman Islands.

Thank you.

The Chairman: Thank you very much, sir.

Just one point of clarity before I open it up for members to ask questions: Did you say that the Deputy Governor had provided a comprehensive response to the report? I am not sure that we have a copy here at this committee.

Mr. Alastair Swarbrick, Auditor General: He responded to the action recommendations in the two audit reports.

The Chairman: Okay.

So they are here in these reports?

Mr. Alastair Swarbrick, Auditor General: He's got a response to the recommendations in both the report on the Accountability of Statutory Authorities and Government Companies and How Core Government Manages Resources.

The Chairman: Okay.

Mr. Alastair Swarbrick, Auditor General: I would say that we had some very good discussions with him regarding the content of the reports and how he sees to take the things forward.

The Chairman: In one of your key messages you acknowledge that the Constitution and legislation pro-

vide a solid foundation for good governance. But you make a statement in one of the key messages that there have been significant weaknesses in compliance with the governance framework. What are your thoughts on what are the root causes for that weak compliance?

Mr. Alastair Swarbrick, Auditor General: Root causes . . . I think some of the key issues are around strong leadership and the implementation of the legislation and frameworks that supported that originally, strategic planning around how are you going to do that and, underpinning that, putting clear systems and practices to support what the intention of the legislation is. And those are some of the key gaps in terms of what we see.

The Chairman: How would you describe the culture of compliance within the Civil Service, within core government?

Mr. Alastair Swarbrick, Auditor General: Challenging, at times, I have to say. I think if you just take the financial statements, as a straightforward example in reporting on that, the culture of compliance has been . . . we can see that over the years as being weak, at best, and challenging.

And whilst we are making improvements, it's still a challenge. That's all just focused on terms of getting an annual set of financial statements together, rather than a performance report. The culture . . . I think we have seen other reports around, like procurement, and see clear gaps in terms of how procurements are managed and undertaken.

The travel and hospitality report recently showed clear evidence of lack of compliance. And the systems and practices are not in place to ensure that compliance takes place.

I am not saying that people are not trying to do a good job and not trying to do the right thing. But the practices and systems are not there, are not consistent to ensure that that happens to provide assurance, for example, to the chief officers that they have a strong robust system of internal control and that they can be assured that information they get is fair and represents what the situation actually is.

So I think this is still very challenging from that perspective.

The Chairman: Is it more a processes and controls issue?

Mr. Alastair Swarbrick, Auditor General: I think there is a mixture in terms of intentional as well, in terms of avoiding the rules, or working around them. I can't say that's everywhere or widespread; but we see instances all the time around subversion of the systems and processes, or the laws and regulations that are in place.

The Chairman: Okay.

Members of the committee?

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

Have you seen an improvement, or has the Government become more proactive in addressing the weaknesses in the governance framework since the signing of the Framework for Fiscal Responsibility?

Mr. Alastair Swarbrick, Auditor General: We are seeing it in certain key aspects. If we talk about, for example, major projects, we are seeing some clear improvements in governance on how you take forward some major projects around strategic outline business cases, trying to do the right thing about effective planning before you actually engage in going through the process of procuring what you want—actually trying to identify what you actually want and need, putting a strategy in place. We see there are improvements in that. Not trying to put the cart before the horse; we're trying to put the horse in front of the cart. So we are seeing some examples of that.

I think there is still a lot of work to go in terms of trying to improve core governance processes, but I am seeing examples, clear examples, of improvements in terms of how you take forward some of the major projects.

Mr. Winston C. Connolly, Jr.: How do you measure the success and results from those changes that are taking place?

Mr. Alastair Swarbrick, Auditor General: Some of that will be long term, in terms of seeing the measure in the results.

I think one of the key issues we found was that the focus of Government has been on activities rather than the results that you are trying to achieve. So there has been no clear identification of what you are actually trying to achieve as a Government, be that at the political level or the administrative level. There is no clear articulation of that.

For example, through the budget process we see lots of activities being included in the budgets. But what is the clear outcome you are trying to achieve in terms of what results you are trying to achieve? We see that through the Statutory Authorities and Government Companies and then up through the core government. So, [there is] no clear delineation of what you are trying to achieve and then no effective reporting on what you've actually delivered against that.

For example, it's very challenging for you as legislators to see what has been budgeted for and what has been actually achieved. What was planned to be achieved, and did they actually achieve it? Or what was the gap in that achievement? So, it's very challenging to see that.

In terms of some of the specific projects, you will see it eventually through effective procurement and effectively getting value for money, actually getting a solution that was fit for purpose through the effective strategic planning and meeting the needs of the Cayman Islands.

The Chairman: Let me just ask one question.

You highlighted that issue with regard to the outputs being purchased and there being no real clear measure of the outcomes. Isn't that one of the shortcomings of the Public Management and Finance Law itself, in that that particular section was . . . I think it was removed from the amended and . . . am I right?

Mr. Alastair Swarbrick, Auditor General: It was removed from the Public Management and Finance Law because there was no system and practice and process to actually measure the outputs.

And whether outputs are the right measure is another question, because maybe it's outcomes and a mixture of performance measures, rather than specifically outputs. That's a discussion for probably another time. But that was removed because basically no one could comply with it at the time. There was no system and practice to capture the information, no process in place, and it was impeding the actual presentation of information and tabling of financial statements, for example in this House, and in actually getting audits completed and signed off.

I think that was a pragmatic step at the time, but there is a clear need for effective . . . there is still a requirement to report on performance in the Public Management and Finance Law, which was still left. It wasn't required to report on the outputs that were budgeted. And to be honest, a lot of the outputs that are budgeted didn't provide any real clear idea of what you were trying to achieve at the end of the day, what results you were looking for. All of it was around activities and information that wasn't of much use, from my perspective.

Mr. Winston C. Connolly, Jr.: When we talk about performance agreements and measuring performance, this is done by the Deputy Governor's office. Have you found any instances where performance was deemed to be in question? And, if it was, what was the outcome of that?

Mr. Alastair Swarbrick, Auditor General: Are we talking about—

Mr. Winston C. Connolly, Jr.: Do you understand the question?

Mr. Alastair Swarbrick, Auditor General: Are we talking about individual specific performance agreements here?

Mr. Winston C. Connolly, Jr.: Correct.

Mr. Alastair Swarbrick, Auditor General: I have to say we haven't done a detailed review of HR practices and their review of the actual performance agreements.

What I can say is that there has to be consequences for lack of performance. From our area of expertise around, for example, financial management and financial reporting, there have been clear examples of deficiencies in performance—some significant deficiencies in performance, from our perspective. Has that created any consequences or any action? I don't know the full story. I haven't seen the performance agreements of individuals. But from our perspective there were significant issues which kept continuing year after year, after year, and weren't resolved. And that has to be around performance management and a lack of effective performance management at that time.

Mr. Winston C. Connolly, Jr.: One final question: If the Deputy Governor is responsible for the performance management and nothing is done, then who is responsible for the Deputy Governor?

Mr. Alastair Swarbrick, Auditor General: I think, constitutionally, it's the Governor, as I recall.

I think in terms of my perspective in terms of something happening around performance management, it wasn't actually happening for a long time. The first step of that is to make it happen. The Deputy Governor is focused on that, from my perspective, at this stage. Now, what that actually means and their actually taking that as an effective mechanism to manage the performance of staff is the next step, maybe.

I know his direct reports are chief officers and he is trying to hold them effectively accountable. Then it sort of filters down through the process, and that comes back to the issues around ethics and values as well. Are we embracing appropriate ethics and values in terms of looking at our performance management and how we assess those people who report to us through the system, and doing that effectively so that we can improve how government works and operates?

The Chairman: Any other questions from members?

Mr. Joseph X. Hew: How important or how critical would the lack of a national strategic plan be on the outcomes that you are looking for, for result driven outcomes?

Mr. Alastair Swarbrick, Auditor General: I think it's important, however you talk about it—whether it is clear policy and policy objectives which set out what you are trying to achieve through your policies at the

political level. It's clear that administrators, the government, the Civil Service side, needs to have clear objectives and direction of what they are trying to achieve through the resources they are spending on behalf of Government to achieve those objectives.

So, if there is lack of clarity in your overall outcomes that the political arm is trying to address it's challenging for the Civil Service to actually implement and achieve those results and objectives. So strategic planning is fundamental to some of this. Whether it is looking at strategic planning in portfolio basis, like what you are trying to achieve in terms of health outcomes or educational outcomes, and saying that clearly and establishing them, setting out what you are going to do to achieve those outcomes and then measuring how you are getting to those positions, it is all fundamental. It's all linked from that perspective.

So if you have got very broad, unclear . . . there are some examples in the Strategic Policy Statement that we see around reducing crime. What does that actually mean in terms of what you are trying to achieve? It's just very generic. Or improving healthcare . . . you need to be a bit more specific about what you are trying to achieve. What outcomes are you really looking for? Otherwise it's very challenging and it leaves it up to interpretation as well.

The other aspect to consider in terms of the Civil Service is to plan strategically about how they can effectively help to deliver those things as well, about how they manage their resources internally in terms of how they organise themselves effectively to deliver for the Government as well.

Mr. Winston C. Connolly, Jr.: In terms of the priority areas to get this right . . . after you have done your report, you have gotten a response from the Deputy Governor, what follow-up is there in terms of identifying the priority areas together and then working out a plan where you two (when I say you two, I mean the office of the Deputy Governor and the office of the Auditor General) are in dialogue and in tandem to this kind of measure how these are going? Because, right now we are getting them maybe once a year. Is there any dialogue along that process as a litmus test to say, *Okay, we said we were going to do this for the next year. These are the priority areas. Now we are achieving these on a quarterly basis—or not. That means we need to step up and know that in a year's time we are going to have to table a report and report this to Government.*

Is that process going on?

Mr. Alastair Swarbrick, Auditor General: I will say we have ongoing dialogue, but the process is not that structured at this stage. Maybe that is something that we can consider taking forward with the Deputy Governor about how we do look at that sort of thing.

I know from their perspective they've obviously been having some of the key tasks around the EY

[Ernst & Young] review to actually address some of these issues and bring some strategic thinking to the process. So that, obviously, is a big step forward and we look forward to seeing what comes out of that. I think that will be probably one of the key drivers for change. It will be putting in a strategic plan to address the outcomes from that and how you are going to go forward both in terms of from a policy side and also from the perspective in terms of the administrative side, how you organise yourself effectively to deliver the recommendations and the challenges they suggest.

Mr. Winston C. Connolly, Jr.: In your report, as well, you said that the role of the Legislative Assembly and Cabinet should be to enact legislation. You talked about coercive revenue in some instances, different things that affect governments. In terms of legislation, what is the kind of immediate legislation that you would recommend or advise the Government to take into consideration?

Mr. Alastair Swarbrick, Auditor General: I try to get away from recommending legislation, I have to be honest. A lot of what we are talking about is not specifically about legislation; it's about improving how you manage government. And this doesn't necessarily require legislation.

Obviously, there are some issues around the Public Management and Finance Law that need to be addressed to make things more simplified and straightforward so it's effective to enable legislators to clearly see what they are approving in terms of resources and what they are for. And then getting reporting and accountability back about how the government has actually implemented and used the resources that have been approved by this House. That is fundamental.

I think, probably from my perspective, that is biased by my role in terms of the financial aspect, in terms of that. But I think a lot of the provisions are there already. It's about actually effectively using them and management.

Some of this is about providing greater clarity in legislation about roles and responsibilities and accountability lines, potentially; around making sure that everybody is clear about how the Statutory Authorities and Government Companies report in to government and how that relationship actually effectively works in terms of what they achieve, and being clear about that. Some of these are key things.

I suggest that some of that is already there. But it's making sure that it's entirely clear and then that people actually respect it.

Mr. Joseph X. Hew: Mr. Chairman, in the Auditor General's report when he spoke about the timely reporting of financials, et cetera, he said that accountability within core government is significantly under-

mined. Can the Auditor General elaborate on that a bit for me?

Mr. Alastair Swarbrick, Auditor General: In terms of the timely financial reporting?

Well, financial reporting . . . actually getting a financial report is one thing. But doing it on a timely basis is another thing.

Financial reporting, apart from being an accountability document, is there for helping decision-making as well. And if it is not timely, you can't achieve either of those objectives to hold people effectively accountable for what they have done in the recent past, or use it to help make decisions about what you are going to do in the future. So, if you don't have timely reporting, it effectively undermines the operation. And that is not just annual financial reporting; it's during the year as well. If you don't have timely financial management information throughout the year it makes it very challenging for anyone to make an effective decision about the priority for what resources you have and what you can do with those resources.

Mr. Joseph X. Hew: I was reading that you specifically made reference to government programmes and that information. It says, "**However, information on the results achieved by government programmes is largely not available. Combined, these observations mean that accountability within core government is significantly undermined.**" [paragraph 109, page 36, "How core government managers resources"]

Mr. Alastair Swarbrick, Auditor General: The other aspect of this is that you are just getting financial statements without any information about performance at the same time. And the whole mechanism of the Public Management and Finance Law was designed to provide you with output information at the same time as the financial statements. But the output information was complex, detailed; and whether it actually provided relevant information about the service performance is another question altogether. My personal view is that it didn't.

But you still need to have performance information about what has actually been delivered and what you have actually achieved, and that has to be part of the annual report as well as the financial statements. What we are seeing at the moment is effectively that most people are just tabling financial statements and there are no actual annual reports (which would still be a requirement of the Public Management and Finance Law) which talk about broader performance and what results are actually being achieved for the resources they have used.

So that's a fundamental. And if you don't have that, accountability is, in effect, further undermined from that perspective. The financial statements pro-

vide you an accounting for what the money has been spent on. But there is no commentary on the financial statements either at this present time, generally speaking, for each individual entity.

For a lay person to interpret what those financial statements mean as well, is challenging. So there are a number of aspects to this.

Mr. Joseph X. Hew: Final question from me, Mr. Chairman.

Do you support the Government moving to a two-year budget?

Mr. Alastair Swarbrick, Auditor General: We are sort of getting into the realm of policy decisions here to an extent. But, you know, I can see the merits.

I am not an expert, and I haven't seen it in any other jurisdiction. So, how it actually operates is probably more the question than how it's effectively managed. And how do you ensure that you provide the accountability during the course of that two-year period for the resources effectively?

The devil will be in the detail around how you effectively implement that, I have to be honest. And whether it gives the opportunity for Members of this House to effectively scrutinise the spending plans of Government is the biggest question, I suppose, around that implementation to your budget. But those are personal views in terms of that rather than the views of the Office of the Auditor General, I have to say.

Mr. Winston C. Connolly, Jr.: In terms of stakeholder accountability and engaging stakeholders, what evidence has there been in movements to do so in terms of . . . or after your report? Or, has there been any move to engage the voting public and to discuss what plans, actions, movements, all those things that come out of these reports?

Mr. Alastair Swarbrick, Auditor General: It is difficult to give an objective answer in terms of what we have seen subsequently, because we haven't actually analysed the data in that sense. I can say anecdotally there has been evidence. I have heard evidence of further consultation on various aspects, for example, Sunday trading is a clear one I have seen recently, heard recently in other aspects. But I can't really give you a definitive answer in terms of that at this stage.

The Chairman: At this time, members, we will call our first witnesses into the Chamber. I believe that is Mrs. Gloria McField-Nixon and Ms. Jennifer Ahearn.

[Pause]

PORTFOLIO OF CIVIL SERVICE

~and~

MINISTRY OF HEALTH, SPORTS, YOUTH AND CULTURE

The Chairman: Thank you ladies. Please have a seat here on the right, if you will.

Welcome to this meeting of the Public Accounts Committee. For the record, would you each speak into the microphone and tell us your name and your position?

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: I am Gloria McField-Nixon, Chief Officer in the Portfolio of the Civil Service.

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: Good morning. I'm Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture.

The Chairman: Thank you. Welcome, again to you both.

Members of the Committee, you are free to question these ladies.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, can we ask the two chief officers . . . and either of them can come in on this; I don't need both to answer. Can one of them describe the main challenges as they relate to the shortcomings described in the Auditor General's report on how core government basically carries out and manages resources? And, in that first answer, could you then go on to specifically address the Auditor General's concerns around your accountability for delivering services and programmes with regard to value for money and achieving good outcomes?

I know that was a mouthful. I can break it down again.

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Mr. Chairman, that is, as you said, a very full question, very loaded question to some degree. I will try to answer to the best of my ability as it relates to my areas of responsibility for HR matters across the Civil Service.

I would say that the challenges that arise from the findings of the report, Mr. Chairman, are numerous. In the very preamble of the report the auditors have pointed out something that I think is very relevant, which is that the good governance framework that we seek to pursue really needs to be contextual. It needs to take into consideration the culture, the resources, the logistical implications of the approach that is adopted, and our ability to be able to achieve the same within reasonable timeframes.

One of the things that will obviously appear as a key challenge for leaders across the Civil Service, myself not being excluded, would be resource implications. In my case, in addition to the responsibilities that are set out in the Public Management and Fi-

nance Law for all chief officers for financial management, I also have statutory obligations that are set out in the Public Service Management Law that relate to the core responsibilities for the Portfolio of the Civil Service.

We will have strategic objectives that will arise as well over the course of the year. These can be driven by political mandates, but also by risk assessments arising mainly from audit findings that have demonstrated key weaknesses that exist in a systemic situation. That will then also form part of our work programme.

What we will find, though, within that context of tiers of both statutory obligations, strategic obligations, and then our ongoing operational obligations is that managers across the Civil Service find themselves challenged to meet ever evolving governance expectations, demands from the public in general, and fewer resources to contend with that, both in terms of the talent available to us to meet that as well as some of the capital that would help us to have better management systems from an IT perspective, as well as key access to specialised talent that might be necessary to pursue these issues, these opportunities, address these risks in a timely manner.

I would say that resources continue to be a major issue. I am sure that it is one that is experienced by the Audit Office itself in the mandate that they have. And you will find that as a common theme throughout the Service.

Other issues that we have, from my perspective, are that there is . . . in terms of roles and responsibilities, we have a decentralised HR environment. But we continue as a government to try to strike the right balance with decentralisation. That is a process. So to the extent that we once totally devolved responsibility for financial decisions and HR decisions, we are seeing an increasing trend towards centralisation, again, of procurement, to a large degree HR management as well. And we don't have ourselves, our structures, completely reorganised to be able to facilitate that. So we are trying to . . . we are straddled both within a decentralised environment and increasingly a centralised decision-making process, and we are trying to contend within, again, those resource challenges to facilitate those opportunities, those lessons learned.

In terms of the issues that we have had and you have seen highlighted about the proper roles and responsibilities of chief officers vis a vis elected officials, the discussions we are having in the Cayman Islands are not unique. These discussions are happening across the world. I have been to conferences in Canada where senior officials have had very lively debates . . . and this is after the senior bureaucrat and the senior politician were both long out of office. They still had very strong views about what was the proper balance to be struck.

And the Deputy Governor has spoken about this recently during a UCCI conference, speaking to the fact that elected officials have a role to play, and that their interest in matters cannot always be seen as political interference. Similarly, while chief officers and senior government officials and public officials and Statutory Authorities and Government Owned Companies are not supposed to be political, that cannot be the same as being apathetic to political sensitivities. There is a continuing dialogue and tension, a natural tension, that exists between those two forces, and that will sometimes play out in unforeseen ways.

I think that our systems need to be better improved to address that conflict that arises in every context in every country, but to allow for us where those seem to put the chief officer in a difficult position related to their legal requirements (and I am thinking specifically now within the context of Public Management and Finance Law) . . . that we have the ability to make frank disclosures, that there is some system in place that allows for disclosures to be made that will give transparency to that process without seeming to rush to judgment about the correctness of the political person's involvement or not. So, I think there are some system improvements that could be made that way.

Our business processes continue to evolve. We have a very full reform agenda. But there are things that need to be done, in my view, to help us achieve the outcomes that we are seeking. In my example (again, I am referring to this within the context of HR) we have spoken about the processes involved in pulling together a budget. And the auditors have pointed out that in some cases we have some very complex procedures, that there is a question as to the extent to which the broader outcome that the public is expecting is fully articulated and achieved in that process.

As an example, within my context, from a requirement to manage head count and to manage expenditures within personnel, I find that the HR persons are involved in the tail end of that process rather than going into the strategic discussions that relate to how talent is going to be used in the coming year and, in particular, how we are going to invest in increased personnel. This is an ongoing discussion. We believe that the business process could be improved. So this is just one example. This is a concrete example within my areas of responsibility. But these are some of the challenges that we continue to have.

I could go on.

One of the matters that I am caused to reflect on as well is the notion of the timeliness of the management information available to us. There is a perception, and no doubt a frustration, amongst elected officials, amongst the public, I would dare say even amongst managers, that it appears as though the lessons are not heeded when we have audit findings coming out. That may very well be, because some of

our audit reports, for no doubt very salient reasons, are historical documents. And so we are looking at a time period that might be four or five years earlier, and then we are frustrated to find out that the audited results for the following year don't seem to heed the lessons of the prior year's audit. Well, that year is also past, that opportunity to incorporate that finding is past.

So there are some issues that we are going to have to, as managers, contend with, that really relate to the timeliness of the findings and the issues that are arising and are systemic to our delivery of services, because that affects our ability to govern and it certainly affects the success that we can hope to achieve in a timely manner.

I hope that I have addressed at different levels what I see as really being some of the challenges coming out of this report.

In terms of how we contend with that, we try to strike the right balance. Our annual workloads are very ambitious and aggressive. For very salient reasons there are some very pressing issues that we need to get on with. But to the extent that we don't have the bandwidth to take advantage of opportunities that arise in the interim, between budgetary cycles, we will have to contend with what is the opportunity cost which is something that we really haven't addressed.

What is our capacity to be nimble (and this is at that sort of 30,000 feet)? We are not just speaking about government in the delivery of certain widgets, but what is our national capacity to be competitive? And we have to reflect upon to what extent do our complex systems not allow us to take advantage of something that should be innate in our composition as a small country.

So, these are, from my reflection, some of the challenges that I can think of.

The Chairman: Ms. Ahearn, do you have anything to add to that statement?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: Thank you, Mr. Chairman.

There is not a lot more for me to add. Gloria has touched on a lot of the issues, I think, that affect us across the Service.

One of the challenges that we see . . . she referred to our business processes. But certainly our Strategic Policy Statement, our budget formulation processes, I think what we found, or what my experience has been, is that the framework is a bit cumbersome for trying to produce this in a strategic manner. And there has been an inconsistency in terms of what the expectations are from us into that process. Some years there has been a very active engagement of chief officers and the ministries with the Strategic Policy Statement formulation. Other years it has been done strictly at a Cabinet level. And then we have had

another occasion where we were quite literally caught off guard because we were told, *Well, why didn't you submit this?* And we weren't actually asked for it.

So, I think if we could look at some way to streamline those processes and have some consistent requirements from year to year, that would help us a lot.

Gloria referred to being nimble, being able to respond. The timeframes that we work in for our budget process sometimes mean that we have cast our budgets so far in advance of actually delivering the services that we haven't anticipated some change or some shift in our environment and we are sometimes a bit restricted in terms of how we are able to respond to those changes. So, that is something that we need to be aware of and find ways to work with.

The issues of governance for the Statutory and Government Companies [SAGCs] are something I think the reports have spoken to in some detail. One of the big challenges that we have is there is an inconsistency across the SAGCs and the relationships between the ministers, the ministries and the SAGCs. Some SAGCs have ministry staff on boards. Other pieces of legislation governing them allow for ministers to issue directives preemptively, but not in reaction. Some of them don't address that at all. I think that one of the things that would really benefit us with that in terms of governance (and I understand there is some work being done) is to look at some consistent standard across the board for the governance of SAGCs and the relationships between SAGCs and the ministries.

One of the other things that was addressed in the report on how core government manages resources was that roles are clearly defined but not always followed. Certainly, having worked with a number of different ministers, I can say that when it is understood that as chief officers we are to take care of delivering on the policy directives that we have been given, and that the day to day administration is really left to us as long as we are working within that policy directive that we have been given, that tends to facilitate things a little more easily than if we are in a situation where there is co-management, if you will, of administration of an entity, whether it is a department or a ministry.

And I understand because of the size of government, because of the importance of the work that we do, and because of the proximity day to day with the elected arm versus the Civil Service, that it is very easy to see that happen. But I think that ministers do themselves a disservice if they get too involved with the administrative aspect of it, and it can detract them from being able to focus on the strategic aspect somewhat.

I have been very fortunate in my experience to have it go very well. But I am aware of others that have not been quite as fortunate and have struggled with it. And it sometimes ends up in a situation [where]

we spend more times trying to steer things back where they need to be, or putting out fires, when you could really just be getting on with things.

Another thing that is addressed here is the fact that we aren't fully focused on the results. The way that we cast our budget is output based. But we are not really assessing whether we are achieving what we are meant to be achieving. And are we achieving it in the best way that we should?

An example from my time with mosquito research was that our budget required 20 aerial sorties for larviciding, or adulticiding—one of the outputs. But it didn't have a function for me to assess whether we were using the right methods, whether we were actually killing any of the mosquitoes when we sent the plane up. All that I had to report was that, yes, the plane had taken off and landed 20 times in the financial year. And there was really no means to be able to say that that was the best way to have done it.

What if we didn't need to fly 20 times? What if we had a dry season and the hatch and strand had been so effective that actually we didn't need to do that much aerial control? Under the framework that we had we still, in theory—in order to achieve our target—would have had to send the plane up 20 times basically, whether we needed to or not. And there wasn't the piece to say we had achieved what we needed to achieve, that we had done it effectively, and we had done it well.

I say that with the risk of adding to the complexity of the system that we have. But I just think . . . and my understanding is that initially when the Public Management and Finance Law was being rolled out, when FMI was coming out, that was the next piece that was meant to come, the effectiveness piece. And we haven't gotten there yet. But the system that we have now is, I believe, quite cumbersome. And I would hate to see us adding to it, but I do think in terms of the complexity and workload requirements and everything else, that if we could look at the effectiveness of the services, I think that's an important piece for us to try and add in.

The Chairman: Ms. Ahearn you are a chief officer overseeing a fairly large ministry within government. At least several SAGCs fall under your remit. How do you manage these entities within this framework?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: I think I mentioned this when I met with the Auditor General on this audit. Because of the way the SAGCs are set up and because of the inconsistencies across them, I am in a fairly fortunate situation in that because of the personalities that are currently in the different roles things seem to be working very well in terms of the lines of communication from the Ministry to the SAGCs and the understanding of how the SAGCs should be delivering on the Government's mandates and policy direc-

tives. So I think it's been more of a function of the players that are currently there rather than evidence that the governance system is sufficiently in place to do it. And it is because of the sometimes confused reporting relationships that it does present some challenges in dealing with the SAGCs and sometimes their accountability.

The Chairman: Members of the committee, continue?

Mr. Winston C. Connolly, Jr.: Just to touch on the SAGCs. In your view, what should that reporting roadmap be, and who should SAGCs under this system be accountable to, level by level?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: I imagine that that is a much larger question than I can really begin to tackle on my own. But I think the key is to make sure that the reporting relationships and the reporting requirements are very clearly laid out and that there are means and processes put in place that everybody understands in terms of being able to feed the Government's policy directives into an SAGC and make sure that they are delivering in accordance with those policy directives.

As I mentioned, some SAGCs . . . for example the Health Services Authority Law allows for the Minister of Health to issue a directive to the Health Services Authority Board only on something that has not yet come before the Board—so, only preemptively. But if there was something that was to come to the Board or the Authority that requires something unanticipated, strictly speaking there isn't a legal ability for the elected Government to feed back to the Authority a directive or any guidance or direction on the matter that has come up to them.

I am not familiar with all the different legislation for the different SAGCs, but that's the one for the Health Services Authority. Some of the laws are actually silent on whether or not a minister can issue a directive to the board.

I think if it was just to be consistent and to be clarified to make sure that there are appropriate checks and balances. The concern is you want to have the SAGCs deliver their services in accordance with what the Government policies are, and you want to make sure that there is some ability to monitor their delivery, and also to have some control over their expenditure that they are taking. Not to say that the minister needs to be able to dictate that they should spend \$50 on paper clips and \$100 on paper. But I think we have seen some inconsistencies across the SAGCs in things like salaries and duty allowances and bonuses and those sorts of things.

It's often in a situation with an SAGC that is receiving funds from central government, as opposed to giving back. But I think that . . . while I can't say it should be X, Y, and Z, in terms of what the framework

should look like, I think there should be a consistent framework across the board that is applied to the SAGCs that will make it clear for everybody. And it's for everyone's protection; it's for the minister, it's for the chief officer, it's for the board, it's for the CEO to have a very clear understanding of the roles and responsibilities and the reporting.

The Chairman: In your opinion, though, Ms. Ahearn, the difficulties and the shortcomings you describe, can they be solved and dealt with as a legislative issue, or is it more of a policy issue?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: I think the benefit to addressing it legislatively would be that it would ensure, particularly if there is a Public Authorities Bill (which is what I understand is being worked on), that there is one set of guidelines that would be governing the governance structure for these authorities across the board. I think if it was to be left to the policy level it would depend on whether it was going to be a policy for each SAGC or one policy. I just think that having it enshrined in legislation would make it much more clear for everybody involved and would give it the teeth that it needs.

You know, policy . . . if you do something contrary to policy, then basically you are told that you have done something contrary to policy and you really shouldn't do that and don't do it again. But there is no . . . you can't really build in a recourse, you know—what happens if we violate this policy? Who has the opportunity to correct us on it?—Whereas if it is in legislation it can be clearly defined—these are the structures, these are the reporting requirements and what the consequences or actions could be for redress if they are not followed.

The Chairman: I just wanted to follow through with where we are going with this because . . . and I hear you with regard to the legislative aspect of it. But one of the difficulties . . . I think the shortcoming the Auditor General highlighted in his report is oftentimes a lack of compliance with what is already required in legislation. I would like to get views from perhaps both of you as to why that seems to be a continuing issue for government within the core government services and even the SAGCs as well?

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Mr. Chairman, if I could address the aspect that we were speaking of just a moment in terms of statutory authorities and the issues that arise from being able to comply with the laws and policies that exist.

What we have pointed out is that there does not appear to have been a rational approach to the rules and the legislative powers that have been specified in individual bespoke enabling legislation. So, you

can have statutory authority A with a very different reporting relationship to statutory authority B, and that helps to create some of the confusion. It actually goes one step further and cements part of the dysfunction. So, we do need to have this review of the legislation so that we can have rational outcomes and we can have consistent outcomes. So, I would put the emphasis on . . . and again, not wanting to make the systems more complex, but in order to achieve a consistent approach and to give some ease of comprehension to the public, chief officers, and so forth, about the rules that apply. We do need to tidy that up.

I would say that in terms of the disconnect existing right now, that is very much evident in the approaches that are taken on the HR side. We do have in the Public Management and Finance Law the ability for that law to be applicable within the SAGCs. But the employment laws differ between core government and the statutory authorities. There are some very salient reasons why that should apply. But in the absence of a Public Authorities Bill, when the core government finds itself in dire financial straits, which required for the public interest that austerity measures be applied, they only appear to have the clear power to do that at present within core government. So, the consequence of that is, these many years later there are still pay cuts in place within the core government, but within SAGCs, some of them, you see bonuses, pay increases, cost of living adjustments.

Our most recent audit of what's happening with head count, we are anticipating that our initial results from the review of the self reporting that comes in from SAGCs as to the number of staff they have, compared to our own internal numbers, is showing that we might have for the financial year ending June 2014 a growth, albeit a modest marginal growth in the SAGCs, where you see a decline in the core Civil Service. The net impact of the entire public service is still a decline, but it is eroded. Again, the performance is eroded by a disconnect in the sense of urgency and direction between core government and statutory authorities.

This is just for one component of our performance management framework. But it is illustrative of the issues that apply and the consequences of not having an equal ability to manage all of the assets that the government is responsible for with some rational approach.

Mr. Winston C. Connolly, Jr.: This question is for either chief officer. The Auditor General obviously carries out his audits and tables reports which have recommendations. In your view, are chief officers sufficiently engaged in that process? Are you able to give feedback, criticism, constructive criticism and other bits of information in that process? And, in your view, is the audit function a balanced process?

And I ask those questions to say that we get recommendations and you are tasked with acting on

them if the Deputy Governor chooses that line in collaboration or discussion with you as his advisors to a certain degree. But how much of your recommendations, advice, et cetera, actually filters through back up? And is it issued in these reports that we get?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: Mr. Chairman, I think my experience in that regard, to be honest, has been mixed. I have had some experiences with the Auditor General's office in the reports and the recommendations where there has been a very productive dialogue. And the recommendations that they make, largely, are very beneficial.

The process is there to help improve what we do. And the joke between the Auditor General and me is that he says, *We're here to help*. And I always say, *We're glad you're here*. And it's the two first lies that come out in the meeting that we have, or some joke like that. But the fact is that I think, by and large, the recommendations and the work they do has been useful and beneficial.

The issues that I have encountered where that that has not necessarily been the case has been with audits where they are a little more technical, subject specific, and we have different taking off points, if you will, in terms of our understanding of the subject matter at hand. So, not necessarily a financial audit, but more along a performance audit or the value for money audits where we have reached a point that it's clear we have to agree to disagree.

But the report that comes out sometimes paints a much bleaker picture than what those of us on the other side of the table actually believe the case to be. And while they do incorporate some of our comments into their report, it is sometimes a situation where the headlines get picked up. We've been tried and hung before we even get a chance to open our mouths to respond.

So, I think largely the process works well. There are opportunities for us to engage. But there are definitely some instances when it's not quite as satisfactory an outcome for us as chief officers, or as technical experts from the audit perspective.

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Mr. Chairman, if I might add to the comments my colleague made. I fully endorse the comments that she had.

I would also highlight the fact that I think the relationship between the Audit Office and the various ministries and portfolios is probably the strongest that it has been in recent years. And that is despite some rather bruising audit results. I attribute that to the constructive engagement, the fact that there is dialogue, the fact that we have seen from the Audit Office a willingness to help improve and enhance the capacity of the organisation to respond by doing things like professional development week and highlighting areas of

training priorities. I see all of those as being very proactive steps, which is what I lead with. And then I go on to say . . . like all things, there are still areas for improvement.

As a chief officer, one of the areas that I am keen to have us enhance or develop or evolve the relationship with is even in the financial audits, to the extent that . . . and I have had experience in years past (not with my current responsibilities, but certainly in wearing other hats) where the process appears to get bogged down and the ability for chief officers to be engaged during that process when there seems to be an issue between the auditor in the field and the individual managers who are responding, typically the finance personnel who are responding, that you don't end up many months after the fact with a qualified opinion and you have a genuine concern as to the materiality of the point that seems to have raised that.

And to what extent can this process facilitate, again, constructive engagement so that we are able . . . and I would hope the point of all of our work, from whatever perspective that we sit, as auditor or as individual company, or department, is to be able to be transparent in our works and to demonstrate how our resources have been applied and to demonstrate the systems that we have for tracking that. And if there is just a genuine misunderstanding, that that can be addressed in a more-timely manner, and that there is a role for chief officers and, I would imagine, the management of the audit office to play during that field-work process so that things don't get bogged down.

I am often a bit frustrated to see audited reports come out what appear to be years later only to have them qualified. It seems as though that is quite a protracted process to say that I can't vouch for the information that's there. And sometimes when you get behind the headlines and you look at what that matter is, you wonder whether there couldn't have been more proactive engagement to try to resolve the issue and whether it is as material as has been put across. And can there be a process to facilitate our being able to address that because the consequence otherwise is that millions of dollars are reported as not being able to be accounted for on behalf of government. So, there are some very pronounced consequences for us not having, in my view, the best engagement during the audit process for management on either side.

Mr. Winston C. Connolly, Jr.: Thank you, chief officer.

My other question, two-part question again (which is the theme for the day, it seems, to ask): What happens once the audit report makes it to the Deputy Governor?

Can you describe that process and how involved the chief officers are in the next steps?

So we get this tabled, it gets presented to the Deputy Governor, he responds, I guess . . . I just want to understand the aftermath and the steps to either

take on the recommendations, ignore the recommendations or come up with some sort of, *Well, we hear the recommendations, but we think these are actual priorities*, et cetera, just so the committee can get a better idea as to what actually happens versus what is on paper that should happen.

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: I am trying to go from the best of my recollection in what actually happened with this report, for example.

My understanding is that the report would have been received. The initial draft report that was presented for management feedback would have been received. It would have been circulated for the awareness of chief officers, generally. I wasn't here at the time this particular report was received, so I know that that oftentimes happens. I do recall that there was a presentation on this report at a chief officers' meeting chaired by the Deputy Governor to allow chief officers opportunity to clarify the recommendations and the findings of the report and then to further reflect upon those.

There was a management response provided. I can also say that in this case there was a very robust response provided where the Premier was also involved in providing a response on behalf of Government to the risks identified in the audit report as well as our commitments to correcting the issues that have been identified. There has been very swift action on this particular report as it related to the deficiencies in the governance of SAGCs. A committee was established that included participation from the private sector. The President of the Chamber of Commerce sat as part of the committee, chaired by the Deputy Governor, which included representation from SAGCs to review the Public Authorities Bill that had originally been drafted to be launched as part of the Public Sector Reform some years ago and had been stalled by opposition at the time to having that level of control of those arm's length bodies.

The committee met. It consulted with the Auditor General in its proposed provisions for the law to see whether these seemed to address the issues that the audit found. So, there was further engagement with the Audit Office again to make sure that the solution was fit for the problems that had been identified. And then there has been consultation with caucus.

So, we have seen on this one report that there was engagement with the Audit Office, there was engagement at the senior levels of the elected Government, and the Deputy Governor was consulting with chief officers. There has been a response in terms of legislation to try to address some of the deficiencies that have been identified, which included stakeholder consultation with the private sector. And the Deputy Governor, as part of performance management for his direct reports, includes as part of the strategic objectives for chief officers some of the key findings that

come out of audit reports and a general requirement that chief officers adhere to the accepted audit recommendations that come out of reports driving that right down into areas of responsibility and oversight and performance management for individual chief officers on an annual basis.

So, on this particular report that has been the response. I can't say that every report would involve private sector engagement, the Premier coming out at a press conference. But because this one was so overarching there has been a very extensive response that has included engagement with chief officers both in forums of chief officers' meetings, further engagement with the Audit Office, written management response, engagement with the private sector, engagement with the political leadership and preparation of a draft Bill.

Mr. Winston C. Connolly, Jr.: In terms of reporting on the progress of that, is it proposed that this committee get an update as to progress from the reports and the wider government in terms of the Legislative Assembly?

I say that to say that we get a number of recommendations in the reports. We sometimes get responses. But is there a kind of formalised response saying, *We took these recommendations into consideration, we set in place these items, we discarded these and here is the report on our progress?* Is that something that has been discussed and agreed on? Or is that something that's ongoing dialogue?

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Mr. Chairman, in the audit report itself, under the recommendations and the management response there is a detailed response which includes deadlines which have been set for planned implementation. Some of these include work that had already been completed at the time that the management response was provided as well as forecasts of when other work would be completed.

I believe there is opportunity (if I understand the member correctly) to allow the progress reports to continue even after the initial management response is provided. So, whether there would be some scheduled dates where we would collectively provide response to audit findings without there having to be a subsequent audit to see whether things have moved along . . . and I take that point. I know it is reviewed from the perspective of individual performance management. But that isn't necessarily visible to the other stakeholders, including, most importantly, the public.

So, I have taken note of your recommendation and I am brainstorming even as we speak about ways that we might create easily produced reporting templates and timeframes to provide the Audit Office, as well as other key stakeholders, with our response on these issues.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, that's exactly what I was asking. So thanks for identifying that and already brainstorming for it. I think at the end of the day this committee has a responsibility to the ultimate stakeholders, which are the people of the Cayman Islands. And something that is easily digested and visual for them would be a great help in assuring that government is functioning and carrying out their wishes. So thank you.

Mr. Joseph X. Hew: Mr. Chairman, to Chief Officer McField-Nixon: Do you believe the government is effectively organised and staffed to deliver the public services and programmes in a cost effective manner and achieve good results?

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: It's a pleasure to be here!

[Laughter]

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Mr. Chairman, we have accepted a challenge of delivering quality programmes and services within the umbrella of resources provided. I can tell you that you will find as a common theme most managers saying that they struggle to keep pace not only with the delivery of services, but the unique regulatory obligations that government entities have that no other private business would experience.

These relate to statutory obligations that are unique to government, our Bill of Rights obligations, the requirements that would come out of the oversight bodies, our transparency agendas, these are all unique obligations that add an additional tier of expense that most private businesses would not be able to relate to. The level of stakeholder consultation that is required to arrive at a decision adds time, and time is money.

Our decreasing headcount. While we have increased services to the public, means that in many functional areas we are down to minimum resources necessary to achieve the function. Now, having said that, there are areas that may not be of the same strategic priority which may continue to be more fully resourced. So, there is still room within what we have to look at ways of shifting resources. And that is something that I certainly try to promote in trying to be nimble or trying to address key areas of deficiency. And managers approach us about new roles that need to be adopted but are not contained within the budget.

I can tell you that within the past month I have looked at about five very strategic, very visible, high profile roles. The pushback that we try to provide to them is to assess their work areas and see whether lesser areas of priority need to have the type of resources allocated to them that they do. And that includes talent. Are there certain businesses . . . and you will be aware that there is a rationalisation pro-

gramme underway now. Will government continue to be involved in, for example, hiring cleaners, or doing other services like that, which will tie up our headcount in those areas but then not give us the same sort of room that we need to do other things, which is contract management and other pressing issues that we are going to need to face. So, we are trying to resolve within the statutory processes that exist the ability for government to be flexible, to make decisions about getting out of areas of lesser priority in order to focus on areas that are critical for the delivery of services that only government can provide and that the country needs urgently.

We are finding that not only are our budgets being constrained in terms of the talent available to us, but also our resources to be able to employ outsourcing to help us deliver services in a timely manner. So there is a real struggle for that. That is our reality. We are not going to see, with the current financial arrangements, any huge increases in our budgets. So we have to live within the reality of what resources are available and try to make difficult, but necessary, strategic decisions about what areas we are going to tackle.

Sometimes that may mean that an opportunity that may be considerable has to be deferred because there are more pressing matters that need to be addressed immediately, and we have to defer our work in order to stay within the parameters of the budgets that are available.

So, we are not ideally resourced, but there is still much more that we can do within the funding and staffing levels that have been provided to us to give greater focus to areas of strategic priority.

Mr. Joseph X. Hew: Thank you.

When we are talking about goods and services provided by the government, I hear a lot about timely fashion. I hear about the cost effectiveness. Are you aware of any efforts being made by some of the government agencies that provide goods and services to the public as far as during their performance reviews doing things such as secret shopper or doing customer surveys, perhaps looking at doing the measurements of wait times, et cetera? Do we take any of this into account when we measure our performances on these services?

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Mr. Chairman, we have found that there are some agencies that do employ that as a way of trying to develop their work plan and trying to identify whether they are being effective in the services they deliver.

Ones that would have appeared in the press, for example, would be surveys done by departments, like Immigration, to assess to what extent their clients, the customers that they deliver services to, are satisfied with the services that they provide. I am seeing an

increased use of surveys in some cases by persons you mightn't think are necessarily interested in what their customers' think.

Our HR auditors use surveys following every audit process as a way of being able to vouch for the professional conduct of their auditors in the field. So whether your customers are external or internal, we believe this is a very important tool.

I would say that . . . and I don't want to preempt announcements that will come, but as part of the strategic planning for the Civil Service, a very strong component of that is going to be not only to what extent are we improving our services as we see them, but to what extent does the public appreciate the reforms that are taking place, the revised business processes that are anticipated, the revised delivery models, whether that be e-government or queuing systems in places like vehicle licensing. To what extent does the public appreciate that there has been an improvement in the services they receive, and, going one step further, in giving assurances across government regardless of the type of business you're in, as to the minimum customer service standards that the public can expect, certain assurances as to what government will provide.

Now, this, I anticipate, will be part of the five-year strategic plan that the Deputy Governor has spoken of previously that will be undertaken once the EY report and recommendations . . . government has made decisions regarding the recommendations coming from that report. So once we get a sense of the size of government, the types of services that government will be involved in delivering, we need to make sure there is a strategic plan in place to ensure we have the competencies to deliver against that plan to ensure there is ownership and champions in every individual ministry and department to facilitate that plan, and make sure we have communicated to the public what that customer service looks like so that they have a way of being able to hold us to account in a way that isn't as obscure as it currently is.

Mr. Winston C. Connolly, Jr.: We have heard a lot of terminology about accountability in the reports and we talked briefly about performance management of chief officers by the Deputy Governor. Are you, as chief officers, adequately equipped to assess and hold accountable your staff in this current system in terms of performance, et cetera? Or does that go up to the Deputy Governor as well?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: Mr. Chairman, the issue of performance management and monitoring is one that has been evolving within the Civil Service. And, certainly, the Portfolio of the Civil Service under Chief Officer McField-Nixon, and HR Audit, have made tremendous strides in terms of the tools that they have given us to be able to effectively do this.

The improvements, even from last year's to this year's tool that we had was significant and made the process a lot easier.

I think one of the challenges we are facing is because performance management went quite quiet for some time because a system of increments and pay rises was frozen and there was a feeling among some of the civil servants that *what's the point? Why should you bother telling me what I am doing right and what I am doing wrong* (because there was no carrot, there was no stick)? I think that it's definitely the focus of the Deputy Governor, certainly in his tenure, to improve the systems that we have in place to make chief officers and heads of departments and line managers much more accountable from monitoring and managing the performance of the staff within the Civil Service and by working with PoCS to give us the tools that we need to be able to try and do that effectively.

It certainly is a challenge as a manager with the system, because, anecdotally, there seems to be some inconsistency with how the grading system is being used across the government. We have a 1 to 5 rating system. Basically, the way it has worked out is that it is a score out of 3. So, a 3 out of 3 is a perfect score—you are meeting all of the expectations we had of you; you are delivering your services to the level that we would expect. And a 4 is that you have exceeded those expectations, and a 5 is that you have done something absolutely, fantastically in excess of what we expected you to do.

I think one of the challenges that I have been facing with the system is that people know you can go to a 5, and they think that they should have a 5 if they have done what they were supposed to do. And I think that one of the challenges that HR audit, the Deputy Governor and PoCS are going to have in terms of our performance monitoring is looking at the consistency of how this system is being applied and how the grading is being done.

But it is certainly a challenge for us. And the timing of it is also another challenge sometimes in terms of the budget. When the budget is set, then when we set our performance targets and our heads of departments performance targets, sometimes the planets don't all really align and things get a bit out of order in that process. But I think it is definitely improving and I think that with the increased emphasis that the Deputy Governor has brought to it we will definitely see some real concrete improvements and advances in that area.

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: I thank my colleague for those remarks. In a matter of being very frank with the committee, there is still much room for improvement in our performance management framework.

As Chief Officer Ahearn pointed out, we went from a prolonged period where there were no performance management systems. So, in assessing the

approach for correcting this, we had to have a full understanding of what was driving that deficiency. And that involved us having frank meetings with chief officers, with HR professionals, doing surveys with staff to understand what some of the issues were. When we were formulating the solution, we decided to go with an in-house designed automated programme that was primarily going to drive us away from what used to be . . . I think my performance agreement in the systems before was a 30-page document that was a mini-budget book. And as a consequence of having so many outputs contained in this document—strategic priorities, legislative requirements—it was so overwhelming that it was impossible to manage against that. It was impossible to assess that many different indicators. Because everything was important, nothing got done.

So, we tried to look at making this more succinct. We tried to look at automating it, getting people thinking about the business process of doing this differently. Automating it forces engagement. This is not something you do by yourself as a manager in a closed room; you are supposed to involve your staff. It allowed us to influence the emphasis on training.

I think the most important tool that has really driven the outcome of increased compliance has been a central dashboard, the ability for a manager at their desk to go to a central drive and see what departments, or where departments are at in terms of number of performance agreements that have been in place, and also to go right down to see what individuals have received in terms of their evaluations. We do report to the Deputy Governor and for senior managers on the distribution of those results so we can see what is happening and whether we think that this form follows the normal curve that should apply.

Now that we have gotten people back into the practice of doing it, our compliance rates are in excess of 90 per cent. We need to focus on the quality of these performance indicators. We use different tools to do that, one of which is a staff survey where we ask staff how easily they find it to be able to meet the performance targets that have been set for them. When someone comes back to say it's very easily done, or comes back to say it is totally unachievable, those raise red flags for us.

We are now in the second phase of focusing on the quality of these performance indicators and getting managers to thinking about things outside of activities that they may want to manage or set as performance targets. Our law puts that emphasis on outputs, and we agree that that is an incorrect emphasis. So part of our response as PoCS is to make amendments to the PSML [Public Service Management Law] to give managers increased flexibility. Our templates already allow for that increased flexibility, and we will be working with them to better educate them, better expose them to other forms of performance targets

that may be more relevant to achieving good outcomes. So, there is still more work to do.

And then I think the third stage of that is going to be our focus on consequences; our ability to, whether good or bad, provide consequences. We understand that within the current financial constraints bonuses may not be on our horizon. But we have other tools in our toolbox, non-financial rewards that we can provide, that we need to better utilise.

Similarly, we need to make it easier for managers to be able to punish persons who aren't meeting the required performance standards. Our laws right now make that a very onerous process. This comes from the time that we were moving away from the Public Service Commission, and there was great distrust to how individual managers would utilise this new reformed piece of legislation to deal with staff. So the laws were overly structured to make the processes very prolonged as a way of giving staff comfort at the time to the changes that took place. Now, what we are finding, ironically, is that even our staff, certainly our managers, are saying that our systems are too onerous. It is not fair for an individual who works hard and delivers to have the same consequence as someone who does not.

So our management response is to look at amendments to the law to streamline that process and again to giving managers automated tools that will create more consistent outcomes in terms of the processes that are followed and even the language that is used to try to reduce our liability. We live in a very litigious society now, so reduce the liability of managers potentially getting it wrong and attracting costs to government.

So there is still much work to do. It is a multi-year process. It had to be because of where we were starting out. We didn't take the route of buying the fanciest piece of software off the shelf when what we really needed to focus on immediately was culture. So we have been working on the culture of the organisation. We will now be working on systems. Eventually we hope, with the support of the legislature, to be able to deliver improved consequences and ease of consequences for managers both good and bad. Thank you.

Mr. Winston C. Connolly, Jr.: My only remaining question is how does this committee help you to achieve your goals in its recommendations, i.e., what recommendations would you want us to do to ensure that you can address the shortcomings and other things identified in the Auditor General's reports as have been accepted by the Deputy Governor?

Ms. Jennifer Ahearn, Chief Officer, Ministry of Health, Sports, Youth and Culture: I think the recommendation that there be a follow-up report and some monitoring, as was discussed earlier, would probably be very useful in terms of making sure that

this doesn't fall off the radar for people, but use that as perhaps a timeline for us to report back to you. I am not sure who the reporting body should be. I am thinking that it might be that the Auditor General might be the body that you would task with sort of doing a monitoring update, and that would probably be a useful recommendation.

Ms. Gloria McField-Nixon, Chief Officer, Portfolio of Civil Service: Also, Mr. Chairman, I would just say that the governance report that is here focuses on those entities that the Auditor General is responsible for auditing. But we oftentimes forget that we are operating within a small pond. But the way that the Cayman Islands is assessed in terms of its governance goes beyond just those entities the Auditor General has direct oversight for. So, the way that the Audit Office conducts itself, the way that the PAC conducts itself all weighs into the assessment of the Cayman Islands governance framework.

I was recently invited to provide comment on something that I had never really contemplated before, because I really see the PAC as being top of the food chain. But the notion that induction processes for PAC members, the extent to which there are discussions about ethical issues, conflicts of interest, that is something that each of us, regardless of our station, needs to be mindful of, needs to have front and centre in order for the Cayman Islands to be able to really move forward with an improved enhanced more robust governance framework. That is a shared responsibility. So, even as we are talking about things that we might undertake within ministries, departments, statutory authorities, et cetera, I would very much say that it is something that oversight bodies and the Legislative Assembly and its select committees need to be mindful of as well.

We have to be careful in the enforcement of our laws that we are not selectively enforcing those laws. And I think that is something that has been very much highlighted. I suspect that if each of us were to reflect upon that we would find that there are areas that we perhaps turn a blind eye to, or aren't as robust in our scrutiny of. I would say that the PAC is charged with a very profound responsibility for oversight of the Audit Office which, in turn, has oversight of the government entities. If the PAC and the Audit Office aren't in very robust discussions which go beyond audit presentations, but speak to the management of the Audit Office itself, then it becomes an inherent weakness of the Audit Office because they don't have that oversight and there is no one else in law who can provide that type of management feedback.

The Chairman: I do appreciate the comments. I think it's fair to say that we do often have these discussions as well between the PAC, myself as Chair, and Mr. Swarbrick as Auditor General, in terms of strengthening that relationship role.

Any other questions, members?

No?

Then ladies, I would like to thank you very much for your time. Thank you too for your candidness in the way you have responded to the questions to the committee this morning. You are released. Thank you.

[Witnesses depart]

The Chairman: I would like to summon the next witnesses into the Chamber. That would be the Honourable Ken Jefferson, Financial Secretary, and Mr. Michael Nixon, who is the Senior Assistant Financial Secretary in the Ministry of Finance and Economic Development.

[Pause]

The Chairman: I think what we'll do is to take a five minute break to allow members to make a pit stop. We can reconvene in five minutes.

Proceedings suspended at 12:11 pm

Proceedings resumed at 12:19 pm

The Chairman: Gentlemen, I would like to welcome you to the committee. I would ask each of you to please speak into the microphone, state your name and title for the record. Thank you.

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Thank you, Mr. Chairman. Kenneth Jefferson. My title has expanded slightly, Financial Secretary and Chief Officer.

Mr. Michael Nixon, Senior Assistant Financial Secretary: Thank you, Mr. Chairman. Michael Nixon, Senior Assistant Financial Secretary.

The Chairman: Thank you both.

I think I need to do something that I failed to do with the previous witnesses, to ask if you have an opening statement or anything that you would like to state to the committee before we proceed with questioning?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, I wrote some brief remarks, so thank you for the opportunity.

I will just start by saying good afternoon to you, Mr. Chairman, and committee members and the Audit Office team.

Mr. Chairman, I have specifically reviewed most extensively the report that is entitled "Describing

the Framework" because from the witness schedule I interpreted that that would be the specific area for Mr. Nixon and myself. I understand now that that may be broader, but that was the specific area that I concentrated on.

I found that particular report and the others to be largely factually correct. I do have one extremely minor suggestion of a possible change, and that is Describing the Framework report. I think paragraph 130 states that the internal audit function has been assigned to the Ministry of Finance. Mr. Chairman and committee members, that is factually correct under the Public Management and Finance Law. It continues to be there under the Ministry of Finance. In practice, though, the internal audit function has moved under the auspices of the Hon. Deputy Governor.

The rationale for that was that the chief officers all report to the Deputy Governor. Therefore, it was felt that if one wanted to influence behaviour and change things, internal audit was a part of that function, and, therefore, it was sensible to have internal audit reporting to the Hon. Deputy Governor, as opposed to the Ministry of Finance or the Financial Secretary, who had a very limited role in its relationship with chief officers.

So, in practice the internal audit reports to the Deputy Governor's office. But the report is correct that, legally, under the Public Management and Finance Law, it is still under the ambit of the Ministry of Finance.

Mr. Chairman, I will repeat as sort of my ideas and views about governance. I think what I said previously, in summary (and I think I am being very brief), is that we should have in government one set of financial statements for the entire government as opposed to tremendously segmented reporting now. Each ministry and portfolio produces its own full set of financial statements. I would recommend, Mr. Chairman, and as you know the committee reviewing the Public Management and Finance Law is taking considerations along these lines: one set of financial statements for the entire government, but there will be segmented reporting for ministries and portfolios. We could move to a centralised accounting function housed in the Treasury under the ambit of the Ministry of Finance. And CFOs can be dedicated to performing particular functions for individual ministries and portfolios.

You do get out of that the consistent cry for the need of a champion for accounting and reporting. Also coming out of that is the possibility of greater efficiencies, very likely some cost reductions as a result of central services for accounting. The chief officers would still be held responsible for each ministry. But in doing so they would obviously need financial information about how their particular ministry or agency was performing. So, there would continue to be a need for chief financial officers to provide financial

information about the performance of specific ministries and portfolios.

Mr. Chairman, on a very high level, those are my views on the governance and, in particular, the reporting aspects of governance, which is quite important. Thank you.

The Chairman: Thank you, sir.

Mr. Nixon, do you have anything you would like to say?

Mr. Michael Nixon, Senior Assistant Financial Secretary: Just briefly, Mr. Chairman.

From a governance perspective, especially when it relates to the financial management functions within the public sector, I think those of us in senior management positions within the government are well aware of some of some of the deficiencies. And there is quite a tremendous amount of work that is currently underway within the public sector to try and improve some of these deficiencies.

For instance, you (sitting as chairman of the Public Management and Finance Law Review Committee) are well aware of the functions happening there in terms of possible amendments to the Public Management and Finance Law. There is also a Public Authorities Bill which is assessing and looking at the relationship and the governance arrangements for SAGCs. That is also now in an advanced state.

It speaks to the fact that the Cayman Islands Government is consistently reviewing its practices and making appropriate changes where necessary. So governance is not something that is being ignored or put on the back burner. It is there and people are recognising it and working towards improving what we have in place. Thank you.

The Chairman: Thank you.

Members of the committee, you are now free to question these gentlemen.

Mr. Joseph X. Hew: Mr. Chairman, just so we can get things started, and so we have a clear understanding, could each of you please describe what you believe your role is with regard to ensuring that the principles of good governance described in the Auditor General's report are implemented and followed?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, I think the Financial Secretary, and now the added role of chief officer added together, the primary functions, responsibilities, would be, first of all, to ensure that under the current regime the Ministry of Finance itself adheres to all of the reporting requirements that are required under the Public Management and Finance Law so that each 30th of June financial statements are prepared and submitted to the Auditor General by the 31st of August deadline. I am sure there will soon be some pro-

nouncements about how well public authorities, including government, have performed in that regard.

Also by 31st October the Treasury Department is to consolidate the individual 14 or so agencies' individual financial statements into one overall consolidated set of accounts for the entire public sector which incorporates the SAGCs. That is to be done by 31 October and then handed over to the Audit Office for review.

Mr. Chairman, also the function in the Constitution of the Financial Secretary is to be principal advisor to the Minister of Finance. And that is extremely wide and encompassing and involves general advice as to how the financial management system within government and the statutory authorities can be improved. As Financial Secretary and chief officer that also encompasses the usual requirements for performance management, monitoring what the previous witnesses would have spoken about. So, certainly getting involved with or doing performance agreements and assessments and having those submitted to the Hon. Deputy Governor.

So, those are my main areas of function and responsibility—producing accounts, getting the reports done, advising the Minister of Finance on a variety of financial matters, and also then getting involved with the human resources personnel management side of things.

Mr. Michael Nixon, Senior Assistant Financial Secretary: Mr. Chairman, just to add to some of the comments made by Mr. Jefferson from my perspective. Where I can best contribute is in terms of improving some of the systems and processes we have within government, particularly in terms of developing budgets and plans and strategic plans. There is definitely a need for us to improve the way that we describe or set our performance targets for a given year.

Each year we see the budget documentation coming down to the Legislative Assembly, and it can be overwhelming at times for both Members of the Legislative Assembly as well as the public. People get distracted by the volume and content. I think we need to move to improve that to make the performance a little clearer as to what it is that the specific agencies are doing and also the standards at which they expect to deliver the specific level of performance. So, that would be an area that I would see great contribution from myself coming to, and that's in addition to the other functions that Mr. Jefferson spoke about.

Mr. Winston C. Connolly, Jr.: In terms of leadership function, in paragraphs 48 to 50 in the Report, at pages 22-23, I understand that there isn't one single accounting manual to follow and that it is expected that chief financial officers will each develop their own policies and practices.

In your view, chief officer, is this going to change? Because I think in my view, and the view of

the committee, this is a very inefficient and ineffective way of operating. I know you said you wanted to centralise some of those. But as the person responsible for this, what are your plans and recommendations going forward? And how have we reacted to outside reports such as the Keith Luck Report of 2011 to try and address what appear to be some real straightforward recommendations and things that could be achieved in short order?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, I would say to the honourable member . . . I'd like to start by dispelling any impression that members of the public who may listen might have that the accounting system in government is sort of a free-for-all and CFOs are able to do whatever they please. That is not the case, Mr. Chairman. The Public Management and Finance Law requires the government's various accounting agencies, the 15 ministries and portfolios and offices, and I think there are about 25 or 26 SAGCs, to produce their financial statements to comply with International Public Sector Accounting Standards (IPSAS is the acronym). So there is already then a definition as to how and to what standards the financial statements are to be prepared.

The member is correct that within that defined framework there are instances in which the particular way of treating particular items might differ from ministry to ministry, portfolio to portfolio, depending on the view of the particular CFO. Definitely there is, and he is absolutely correct, that there is a need for a central accounting manual to define and specify how an item should be treated. I can say to the member that in the review work being done by the Public Management and Finance Law committee that is a strong recommendation that is coming forward and is repeated over and over again, that there is a need for such an accounting manual. Also, importantly, Mr. Chairman, that the financial regulations that come out of the Public Management and Finance Law specify the format of the financial statements.

IPSAS, like most other accounting standards obviously needs to change from time to time. So, you are now currently getting into a situation where the formats and the accounting treatments are specified in financial regulations, and, as the standards change, you would need to be changing financial regulations, which is quite onerous and burdensome. So, the idea is let's take those formats out of actual financial regulations and put them into an accounting manual to specify how things are to be done. And a new possible revised Public Management and Finance Law would specify the existence of such a manual, but would empower, for example the Ministry of Finance, to update that manual and to keep it current without having to bog down Cabinet with making changes to financial regulations as and when particular standards do change. And they do change quite a bit and quite

frequently. So, that is definitely on its way, Mr. Chairman.

Mr. Joseph X. Hew: Mr. Chairman, does Mr. Jefferson believe that government entities . . . or let me put it this way: What percentage of government entities provide timely reports for the Legislative Assembly and complete reports, not just the financial statements?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, I do not have an actual percentage. What I can say, though, is that if you take the most recent year, the year just ended, there were no central government agencies that missed the actual preparation of their financial statements by 31 August. And in the previous year, that was also the case. If you even expand it wider to the SAGCs, in the previous year that ended 30 June 2013 there were none missed there as well.

This current year, ended June 2014, I can say to the committee that there is only one agency that actually missed the 31st of August deadline. I think their financial statements were submitted on 2 September. So, it came in marginally after the 31 August deadline.

Mr. Chairman, I can say to the member that the Public Management and Finance Law actually talks about the consolidated reports that the Treasury is to produce for the whole of government by the end of October. That should go on to contain an annual report as well as the raw and detailed financial statements component. To date, Mr. Chairman, we have not produced an annual report, and we have merely managed to produce the actual fundamental financial statements—but not an annual report, as we would know it in the private sector, which includes in a private sector setting a statement from the chairman, a statement from the board of directors, putting in words how well the entity performed during the course of the year, we have not managed to do that by 31 October.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, what is the proposal, then, and the goal to produce those annual reports? And then if not produced what is the penalty for that ministry or department in terms of the overall government kind of accountability, responsibility, and performance management? Can you explain that process? If you don't produce these things . . . or, sorry . . . is there a plan to produce them? If you don't produce them what are the penalties and liabilities for not doing so?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: I think, Mr. Chairman, to answer the question specifically, to my knowledge there are no known or specified penalties for non-compliance at the moment. That is not to say that it cannot be done,

but I can't say to the committee that at the moment there is a defined penalty for non-compliance.

In my mind went the penalty would come in the form of embarrassment to the ministry, to the chief officer, when it's publicly known that there is non-compliance. I think that is the penalty. Obviously, the Deputy Governor, who is I think taking the leadership role when it comes to the performance of chief officers now, would take a stern look at their performance. But there is no specified penalty, as such, right now.

Mr. Chairman, yes, the plan is to produce, in addition to the actually fundamental financial statements, an annual-type report. The content of that annual-type report is yet to be defined.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, as a general observation for this committee, I think it is one of the things that we should try to make a strong recommendation for in that we are charged with ensuring that public money is well spent and that people are held accountable. I think that is one of the items I would suggest that you perhaps consider and the other members of this committee consider.

Chief Officer, I had another question. I guess it's timely in that recent headlines have spoken about the management, or lack thereof, of some of the credit cards and executive expenses. This goes to paragraph 51 of the Auditor General's report, and looking at how in his report where he has spoken about his concerns over the controls for executive expenditures and accounting for appropriations. What, in response to those observations . . . and he also goes on in paragraphs 84 to 88 to expand on those.

What are you, as the responsible person, doing differently to ensure that public money is spent with regard for value for money and accounted for in accordance with the legislative requirements? Or is this something that is ongoing, in discussion?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, just to say to the honourable member that the government did actually issue a credit card policy back in, I think it was July 2010, specifying how the card should be used, what it could be used for. And I think the general pronouncement from that policy is that the card should be used for official government purposes.

Mr. Chairman, I will just stop for a moment and ask if these proceedings are broadcast publicly, because I do know there was some concern by the DPP about information getting out publicly. Is the proceeding going to be broadcast publicly?

The Chairman: In fairness, they are being recorded and will be broadcast I think from Monday. So, I think we do need to be careful. What I would suggest . . . we need to be a bit circumspect in terms of questioning this line at this point in time.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, I guess I didn't want specifics about any allegations of misuse, et cetera. I am just talking about in general about the systems are in place and how the chief officer and Financial Secretary as the responsible person ensures that if we have a policy it is being adhered to. Again, going back to the accountability, how do we hold people accountable for disregarding a policy that you say has been in place since 2010?

I am not asking for specifics. And I am especially not asking for specifics on the credit cards, per se. I just used that as an example overall. We're talking about how executive expenses are tracked, how, if there are abuses or discrepancies, et cetera, they are being dealt with, and then how are people being held accountable, including ministers and the political arm, if that is under your remit.

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, I don't like to speak generally, but I think that is the best way I can answer this specific question for the member.

I think it would be fair to say that there has not been a fundamental change in the way that expenses that are incurred on a government credit card have come about because of recent public pronouncements. There has not been a fundamental change. The mere fact that it has come under public focus has caused increased awareness in government on the matter.

Again, each ministry, each portfolio, has a chief officer. And so I am not avoiding the question in any way, Mr. Chairman, I am just stating what the position is now. Each ministry/portfolio has a chief officer. And the primary responsibility for the good use of government credit cards and expenses, in general, falls on the chief officer. The reports from use of a credit card have to be signed off initially by the chief financial officer in each ministry and portfolio, and also reviewed by the chief officer.

So, the accountability aspect is initially carried out by the CFO and by the chief officer. And proof is, obviously, sought for what the particular expense is for and support is sought for in if this is an official use of the card and if personal use has occurred, it has to be repaid.

So there hasn't been a tremendous and fundamental change as a result of it. But the public focus on it has, I think, changed behaviours. For example, Mr. Chairman, there is now increased use of online facilities when it comes to getting credit card statements and not necessarily waiting until a physical hard copy arrives through the post before you start scrutinising the activities on the card. That obviously is being done to avoid late charges being incurred on government credit cards.

There are increased requests by CFOs and chief officers to the cardholders as to what the particular card has been used for, again, not necessarily

waiting until the end of the month. And then greater enforcement, greater focus on making sure that within a very short window of time, seven days after returning from an official visit overseas, that use of the card is properly accounted for.

So, in trying to answer the member's question, the mere fact that the public has focused on this and there have been media reports has actually caused behaviour within the Service to actually accord closer to what the policy has always been.

Mr. Winston C. Connolly, Jr.: Right.

We are talking here about the Auditor General's report, not the public's outcry. So, I guess my questions are still around what is government's response to these identified gaps and reports of possible . . . and I am just trying to make sure I don't misquote anyone, but just a lack of systems where each ministry deals with . . . how executive expense is handled differently, just how the accountability is tracked and recorded and try to mitigate some of these instances that end up in the public arena.

So, in terms of what you have done, or the Deputy Governor's response, et cetera, what is being done in total based on these reports, not the public outcry to ensure—

Mr. Alastair Swarbrick, Auditor General: Just to apply some clarity, if that's okay, I think we're talking about the executive expenses and transfer payments, not the credit cards specifically, although there may be different systems in place for the executive expenses as opposed to entity and different levels of control being exercised over executive expenses, from Mr. Jefferson's clarity.

Mr. Winston C. Connolly, Jr.: Thank you. I was just kind of using that as a loose example. But, yes. Correct.

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, my apologies to the member for honing in specifically on the very topical issue. I am going to give Mr. Nixon, the Senior Assistant Financial Secretary an opportunity to answer.

Mr. Michael Nixon, Senior Assistant Financial Secretary: Thank you.

Mr. Chairman, in the context of executive expenses and using the Auditor General's example in terms of transfer payments, we are aware that there have been some inconsistencies with the way that these types of expenses have been accounted for. But from the perspective of the Minister of Finance, we would and do encourage agencies that where they have been given an appropriation for an executive expense, that they put in place some defined criteria.

And using transfer payments as an example, again, if you are charged with providing a cash grant

to a certain category of persons, that you make sure that there are administrative clearly defined criteria as to who qualifies for the payment. Also that there is some kind of internal control mechanism defined as to who authorises the payment, who monitors the payment, that those are in place and adhered to and that they are accounted properly, you stick within your appropriation and you provide timely reports to both the Ministry of Finance, as well as to Cabinet, keeping them informed as to how expenses are being accounted for in that particular area.

Now, there will always be some circumstances where there would be exceptions. But the exceptions should be few and far between. And even where there are exceptions occurring, those exceptions should be well documented.

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: I just wonder if I could add to what Mr. Nixon has just said to say that ultimately the sanction would be if procedures are not proper for a particular ministry or portfolio in administering their expenses there is a budget and there is a limit to that budget. So, the ultimate sanction would be that if a ministry or portfolio is not properly paying attention to expenses and controlling them, a very likely outcome is that before the end of the fiscal year that particular budget can be exhausted and, again, you would be left with, certainly, a set of disgruntled members of the public because the budget has been exhausted.

If you then got into a situation where you needed to request supplementary expenditure, the chief officer of the ministry would have to go to Cabinet to seek Cabinet's approval for supplementary expenditure for that particular budget area. And there would obviously be questions as to why, and what went wrong.

So, that is the ultimate sanction. If you don't pay attention to a particular budget area you don't have proper procedures in place, you could very well run out of funds before the end of a fiscal year and then have a situation where you have to explain yourself.

To be quite frank and open with the committee, in the year that just ended there are a few areas in which the expenditure budgets were exceeded. For example, I can think of one in particular; service to refugees was in excess of the budget. Legal aid, the expenditure incurred was in excess of the budget. Fortunately, there were under-expenditures in other areas that more than compensated for excessive expenditure in those areas where it did happen. But they have occurred.

Obviously, I can say to the committee as well that during the course of the year the Cabinet, as allowed by the Public Management and Finance Law, did supplement existing budgets in certain areas to give a greater budget. But they were always matched by reductions in other areas in accordance with the

dictates of the FCO. So, Cabinet has approved expenditures that exceeded budget, but also matched them with reductions in other areas so that there was no overall reduction.

But apart from what Cabinet has done, there were very few areas in which excessive expenditure did take place over and above what was budgeted. Fortunately, again, they were matched by other areas of under expenditure.

The Chairman: I believe, Mr. Jefferson, those changes, or reallocations that took place, do come back to the Legislative Assembly at some point for approval. Am I correct?

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Correct.

The Chairman: Okay.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, I hear the Financial Secretary and I hear how we make adjustments. But in cases where someone has dropped the ball, has not done adequate work in their budgeting or has just been inept or has . . . you know, if there is that type of gap in the decision making what are the penalties, other than being embarrassed, for that type of individual? Again, if we are looking after the people's money and there is a clear case of someone mishandling, mismanaging that caused that . . . not a refugee situation that we can't say that there will only be 10 Cuban refugees here every year; we can't say that there will only be 10 legal aid cases. But in those instances, where is the clear accountability and the hammer, if you will, in our governance?

Mr. Michael Nixon, Senior Assistant Financial Secretary: Mr. Chairman, I think now we are crossing over into the ambit of the Public Service Management Law and the regime that is set up for the performance management of employees. Clearly, where there has been a blatant breach of spending (let's say it's an appropriation), if that can be tied to mismanagement or poor performance by a particular employee or group of employees then it needs to be addressed through the provisions of the Public Service Management Law and through the enforcement of their respective performance agreements. And that needs to be documented.

The chief officer has the responsibility to ensure that those types of breaches are documented and brought to the attention of the Deputy Governor, and also to exercise whatever provisions they have, whatever authorities they have under the Public Management and Finance Law, to remedy those. But there are no specific provisions within the Public Management and Finance Law that deal with disciplinary action, as it were, to employees.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, I guess what I am asking is how do you stop the waste of government money that has been identified as significant in the Auditor General's report when it comes to the decision-making processes?

[Pause]

Mr. Winston C. Connolly, Jr.: Maybe I can ask the Auditor General to respond initially about specifically where those areas were identified and have the Financial Secretary respond to that.

Mr. Alastair Swarbrick, Auditor General: Sorry, I will have to ask the member to repeat the question; I was getting some advice from my colleague at the time unfortunately.

Mr. Winston C. Connolly, Jr.: My question was around the waste of government money where in your report in certain instances (and I don't have the specific paragraph to hand) you identify a number of gaps in the decision-making process that has led to, in your words, "a waste of government money." I asked the Financial Secretary how he holds people accountable for waste of government money based on the lack of that process and where that occurs.

Mr. Alastair Swarbrick, Auditor General: I can't specifically speak to how the Financial Secretary holds people accountable.

In terms of the use of resources, it depends on the line of accountability in that sense. For example, if it is within the ministries it would be the chief officer who is accountable, ultimately, for the use of those resources. And anybody wasting resources in their departments, she would hold them accountable for having used resources effectively through their performance management I presume would be the first point of call. And in terms of the overall role of the Ministry of Finance in terms of ensuring that people get value for money, for example there is a clear oversight role in terms of ensuring that they effectively manage financial resources and use appropriate procurements, other methods to ensure that they abide by the systems and processes that you'd expect for effective financial management. It's fairly broad-ranging in that sense.

Ultimately, the accountability chain is through the chief officers for each of the ministries or if you were a SAGC it would be the chief executive officer who would then be accountable to the board for achieving the best value. It depends on what we're talking about. If it is a major capital project it's about project management in the way we are delivering that effectively. Have we gone through the appropriate processes and is the project meeting the strategically objective you set out for that major project initially and the value that you got from the procurement? Are you

managing the procurement, the actual contract, in line with what you actually procured? For example, is it coming out of the cost that you originally said it would come in at? Is it coming to time and budget from that perspective? So it depends on what we're talking about in that sense.

Hon. Kenneth Jefferson, Financial Secretary and Chief Officer: Mr. Chairman, just to follow on from what the Auditor General has just said, and in an attempt to answer the member's question a bit more specifically, let us take for example the topic of value for money within government. The role of the Ministry of Finance in this specific regard is obviously to have established the Central Tenders Committee, which it has, to examine fairly significant purchases of assets and services by the government and to have that scrutiny take place there. And that is a long established body that has been functioning for many, many, many years. So, in terms of wastage within the government, that is meant to be one specific mechanism by which hopefully that is minimised or brought to zero.

In other aspects as well, Mr. Chairman, each month the Treasury produces a set of financial information for the Cabinet that gives the actual performance of the government to a particular month end, the cumulative results for the end of that month. And it also compares it with the budget and what the expectations are for that particular point in time in the year. It also provides a list of appropriations that the Legislative Assembly has appropriated as a budget and records against that the actual expenditure incurred to date.

So, through variances between actual performance and budget expectations one can develop a sense of questioning as to whether something is going awry because your actual performance on the expenditure side, for example, is exceeding what your expectations were, and it looks as though the government might run out of budget before the end of the fiscal year for that particular item. I think that's another way in which there is scrutiny on wastage in government from the actual production of the monthly information that would go to Cabinet.

I will stop there, Mr. Chairman.

Mr. Alastair Swarbrick, Auditor General: Mr. Chairman, that is to come back to the point that if we're talking about appropriations, I think there is a clear accountability of that appropriation back to the Legislative Assembly. The Legislative Assembly authorises through the Appropriations Law the expenditure of government, technically, and any performance about that has to be accountable back to this House overall.

Following from what the Financial Secretary said, each chief officer has to be accountable for the appropriations under their control. And they should be

managing that on a monthly basis, looking at the expenditure reports they are getting to ensure that they are staying within their appropriations. And if they are coming close to breaches in those appropriations, they should be examining strategically how they can deal with that and coming back with supplementary appropriations to explain to the House why they need more money to deliver those services. And that should be done before they actually incur those expenditure and to be told the logic in terms of the appropriations. So they should be accountable to that through this House for the use of those appropriations.

Now, it might be for legitimate reasons. You know, for demand-led services it is very difficult to have control total for those—how do we know how many Cuban refugees (take that example) we are going to receive on these shores and have to accommodate? It's very difficult to manage that. And the same with things like legal aid and other social welfare systems. It's very challenging to actually put an appropriation to that. But there has to be a control mechanism to ensure that the expenditure incurred is legally authorised and approved by this House.

Mr. Winston C. Connolly, Jr.: Thank you.

Mr. Ronnie Dunn, Acting Accountant General: Mr. Chairman, Ronnie Dunn, Acting Accountant General.

Just to add to what the Financial Secretary was saying earlier in relation to the Ministry of Finance and our role. One of the responsibilities under the Public Management and Finance Law is for us to establish a centralised accounting system. And the regulations actually require that all transactions be recorded in that system. The IRIS system, as we know it, was transferred to the Ministry of Finance this year, July 1, 2014. Part of the controls within that system is that there are tolerance levels, or limits, placed on executive expenditures specifically within IRIS which prevent an agency from overspending the appropriations that are provided in the budget approved by the Legislative Assembly.

The challenge in that system is that we are operating on an accrual accounting basis. And there are instances, for example overseas medical, NGS-55, whereby we may have a limit of \$11.6 million within the budget, but somebody is sent off the Island in an air ambulance and it might be months before you get the actual invoice as to how much that trip cost. Therefore, on an accrual basis you incurred the expenditure which would take you over the limit of the appropriation and you only find out about it many months after it has occurred.

But there is a system of internal control within our financial management system that limits the amount of expenditure that agencies can incur via their recording of such expenditure within the IRIS system on an ongoing basis.

The Chairman: Other questions for these two witnesses?

If not, gentlemen I would like to thank you for your testimony before the committee today. Thank you for your candidness and the way in which you have openly discussed and answered questions presented to you. You are excused from this committee.

Members of the committee, it's 10 after one. I am aware that we are running quite far behind schedule. I think we are either going to have to work later into the afternoon or reschedule some of these witnesses to a later date. We do have the 16th of September set down for a continuation of the examination of this report. But I would like for us to go ahead . . . do you know if lunch is ready?

[Inaudible interjection]

The Chairman: Okay. It's 10 after one. We had hoped to break at 1:30. I would like for us to take a very short lunch if we could. Let's break for 30 minutes and get back and see how quickly we can get ourselves back on track. Let's be back in here at quarter to two. Okay?

Proceedings suspended at 1:15 pm

Proceedings resumed at 1:57 pm

The Chairman: I would like to go ahead and reconvene our proceedings this afternoon, examining these reports of the Auditor General. Please be seated.

Next up on our list are Mr. Sam Rose, Cabinet Secretary and Chief Officer, and Mr. Robert Lewis, who is the Director of the Policy Coordination Unit in the Cabinet Office.

Gentlemen, would each of you speak into the microphone and state your name and your position for the record?

CABINET OFFICE

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Thank you, Mr. Chairman.

My name is Samuel Rose. I am the Cabinet Secretary and Chief Officer for the Cabinet Office Portfolio.

Mr. Robert Lewis, Director Policy Coordination Unit, Cabinet Office: Thank you, Mr. Chairman.

My name is Robert Lewis. I am the Director Policy Coordination Unit of the Cabinet Office.

The Chairman: Thank you.

Gentlemen, would either of you like to make a brief statement before we move into the questioning?

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: No thank you, Mr. Chairman, we are prepared to answer questions.

The Chairman: Okay, fine. Thank you.

Members of the committee, these witnesses are now available for your questioning.

Mr. Joseph X. Hew: Mr. Chairman, as we did with the others, I think it would be prudent to ask the gentlemen if they could please describe what they believe is their role in regard to ensuring that the principles of good governance, as described in the report of the Auditor General, are implemented and followed.

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Thank you, Mr. Chairman, I believe it is for me to go first.

I think the report prepared by the Auditor General's office quite accurately sets out my role as Cabinet Secretary as per the Constitution and gets into some of the nuts and bolts of the day-to-day interaction that I have within the public service and the public sector.

The role is a bit of a hybrid role in many ways. It is the only Civil Service post which is appointed with the direct input of the political side of the fence. As is articulated, or set out in the reports, I effectively have three individuals to whom I report: the Premier, the Governor, and the Deputy Governor. Most people say that you shouldn't have two masters; in my instance, I have three! So it makes for very interesting work on a day-to-day basis.

I think one of the key roles of what I have come to understand the job to be (as I have only been in post shy of two years now) is that we are to serve as a bridge in many ways between the political and the administrative arm. So I think in supporting the Premier and the elected Government in driving forward their policy agenda, there is obviously a significant challenge there. I also have the role of chief officer with full responsibility for the portfolio beneath me and responsibility to the Deputy Governor in that regard.

But I think the key is, via the formal and informal channels, ensuring that the elected Government has every opportunity to advance and successfully implement their policy priorities. Beyond what is contained in the report . . . so, when I make reference to "formal and informal channels," the formal channels are obviously via the generation of Cabinet papers, which occur on a weekly basis, showing that there is a consistent methodology and consistent approach across the board that not only meets a prescribed format, but the content itself is reflective of a joined-up approach.

As we know, in the classic bureaucratic theory there is a phenomena which we have all . . . well, I guess it has become a cliché now in the public ser-

vice—the phenomena of silo mentality, or silo effect. It is very easy for individuals to be focused on their area of responsibility and to only take that into consideration when putting forward a proposal or a policy or a paper, et cetera. So one of the key roles of the Cabinet Office is to ensure that whatever policy is being put before the Government for a collective decision actually has a collective perspective where necessary.

So, we have made good efforts over the past year and a half to really improve the process by which Cabinet papers are written and to ensure then that the impacts on other ministries and portfolios are reflected in that. So, beyond just the Civil Service implications or the financial implications or the legal implications, if there is another ministry involved, that is reflected in the paper or that discussion has occurred. So, that speaks to the more formal channels.

We have also been working behind the scenes to ensure then that when it is not just the formal paper being presented, but matters that are handled within the day-to-day delegations to individual ministries, that we can be of support in assisting them in the quality, or improving the standard of policy development. I believe the report makes mention of that as a general weakness in this area that we are improving on.

This role is evolving, as is I think the way in which the Cabinet Office is viewed. I think one very important development in the overall expansion of the Cabinet Office has been (which, again, is acknowledged in the report) the hiring of my colleague, Mr. Robert Lewis, as the Director of the Policy Coordination Unit [PCU]. Previously the policy analysts were, in essence, working directly under the Cabinet Secretary as that position which was envisioned from the very beginning of the expansion of the Cabinet Office (which occurred in I think in 2003 with the hiring of the first Cabinet Secretary). That position was never filled until Mr. Lewis' hiring. So, it has allowed for that central place and it mirrors the functions carried out in many other jurisdictions, in the UK, Bermuda, for instance. Central policy coordination units are by no means an anomaly; it's actually the norm.

So, it is there to be a repository, a reference point, and a support network for ministries and portfolios who, rightfully so, have their devolved areas of responsibility. By no means is it envisioned that all policy has to come through the PCU. That would not be an efficient approach at all to policy development.

I think one of the keys of governance is consistency across the board. And we want to see a consistent approach which is driving towards standards of best practice. So, to that end, my colleague, Mr. Lewis . . . and I will allow him to share some of the work that he has been doing in that regard. He has made great efforts in the past year or so to assist and support ministries, portfolios and SAGCs by conducting policy development workshops. So I will allow Mr. Lewis to

share a bit on that and to expand on how that has improved overall governance in that regard. Thank you.

Mr. Robert Lewis, Director Policy Coordination Unit, Cabinet Office: Thank you, Mr. Chairman.

The Cabinet Secretary has made my job a little bit easier by talking a bit, in general, about my role.

As he alluded it is a fairly new role, Director of Policy Coordination Unit. I was hired just over two years ago. The main purpose of the role, in a nutshell, is to support the Cabinet Secretary on cross-ministerial policy coordination. In that regard, some examples of the work that has been done so far: the Policy Coordination Unit has been steering the development of the Cayman Islands Disability Policy and is involved from a steering perspective as well, in the Crime Reduction Strategy. Other initiatives that the PCU has been roped in are the Inter-ministerial Committee on Employment; Inter-ministerial Committee on National Youth Policy; National Statistical Coordination Committee. There are a few others, but I will not speak to those at this time.

Another important function, as the Cabinet Secretary alluded to, is to provide advice for consistency purposes on the development and implementation of policy, whether there is strategic policy or operational policy, but primarily strategic policy. So, in this regard we have provided some templates not only on how to develop policies, but also how to develop terms of reference for steering committees so that the policies are not only developed properly, but, more important than that, it sets the foundation for proper implementation, effective implementation, accountable implementation. So, components like policy monitoring, policy evaluation, provisions for policy change, targets, benchmarks, performance indicators, those should be built into the process.

The Cabinet Secretary alluded to policy training. In the roughly two and a half years that the post has existed we embarked on comprehensive training across government. Cabinet members, councillors, core government, including the Governor's and Deputy Governor's offices, ministries and portfolios; the so-called watchdog entities, Auditor Generals', Complaints Commissioners', Information Commissioners' offices, all of those have been exposed to the policy workshops. And, as the Cabinet Secretary said, it is an effort towards providing consistency.

We have started the training for the SAGCs and we are going to continue with more of that during this fiscal year. So, Mr. Chairman, that is a summary of some of the work, the role of the Policy Coordination Unit. Thank you.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, does the Cabinet Secretary think that the appointment of Mr. Lewis now adequately covers the responsibility of his department to give policy direction to the Gover-

nor, Cabinet and the Premier? Or does he think that more needs to be done in terms of additional bodies and also research, et cetera, capabilities?

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: I don't think any civil servant would turn down an opportunity to get more support!

[Laughter]

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: —any manager, Mr. Chairman.

I will start off by saying that Mr. Lewis' hiring and the expansion of the team within the Policy Coordination Unit, which currently comprises three policy analysts, has done a lot. Mr. Lewis obviously brings leadership and direction.

But, as you can tell, the effort or the focus of the training is because we realise that while we have to have a central body we don't want to create our own silo. And each ministry still requires its own policy team and the expertise still lies within the ministries to support individual ministers. So, we are trying to work from a two-pronged approach to build capacity within the existing ministries and, in essence, to build a network where there is improved communication. A lot can be achieved through that by dialogue and interaction, small working groups that are mixed and diverse cutting across ministries and portfolios.

There still exists a need within the Cabinet Office for additional resources. That can be achieved by secondments. We are actually currently exploring one option right now. And, as happens, our policy analysts are extremely talented individuals. They have a broad array of experience and backgrounds. So, as time goes along we are seeing where areas of expertise are being developed, whether it is from a constitutional perspective. We have individuals who have actually qualified as attorneys-at-law. And while that is not a prerequisite or requirement of the post, it obviously brings to the table a whole other skill set.

We have individuals who are generally interested in and show great potential for international affairs. As you know, under section 55(4) of the Constitution the Premier has delegated responsibility for an array of international affairs. So, we need support in that regard. That's contained in-house at this point in time. But there are other perspectives that we would be enriched by and we will continue to monitor it closely. But I do believe there are creative ways, especially in this environment where resources are limited. There are some creative ways that we can pursue providing that additional support to ministries and portfolios, and Cabinet as well.

Mr. Winston C. Connolly, Jr.: Other than budget and headcount, do you have any other core challenges or impediments to effectively dealing with the Auditor

General's commentary on pages 27 and 28 (which would be paragraphs 66 to 70)?

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Mr. Chairman, would the committee prefer that we take it paragraph by paragraph, or just a general comment? I think these paragraphs cover different areas.

The Chairman: Go ahead Mr. Connolly.

Mr. Winston C. Connolly, Jr.: I guess if it helps you to answer the question paragraph by paragraph, it would be specific. And in that response as well, could you address any of the Auditor General's concerns around the "weak decision making processes" and those specific instances that were given in those paragraphs?

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Mr. Chairman, if it's okay with you we will share the duties in responding to this. Thank you.

Mr. Robert Lewis, Director Policy Coordination Unit, Cabinet Office: Mr. Chairman, I will speak to paragraph 69, particularly the role of the Cabinet Office as stated in that paragraph.

We are concerned with not only assisting portfolios and other government entities in terms of advice, but also in building capacity for effective decision making that are policy development related, or policy implementation related. Hence, that is why there was a lot of focus on the policy training aspects towards the beginning of my role, because we wanted to ensure there was consistency and understanding as to how policy should be moved forward in terms of best practice in not only the development, but more important than that is mechanisms for proper implementation and those being built into the process.

I hope that helps.

We provide advice, as well, on any policy that is being developed for strategic operational that we are asked to be involved with. And, as mentioned before, we coordinate a few of them.

I am happy to take any supplementary questions on that, through the Chair.

Mr. Winston C. Connolly, Jr.: Were you going to answer in two parts? Sorry.

Mr. Robert Lewis, Director Policy Coordination Unit, Cabinet Office: In regard to paragraph 69 as to how the Cabinet Office assists other government entities or strengthens the decision making process, that is the answer that I tried to provide in terms of our role.

I am happy to take any supplementary questions, through the Chair.

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Okay.

Mr. Chairman, through you, sir, I note that the comments with regard to risk management in paragraph 66, and also in 68 . . . [paragraph] 67 seems kind of more focused on the Central Tenders Committee and procurement in general. I believe the Cabinet, or the Government, has undertaken to revise the whole procurement and major projects work. So, I am not sure whether or not I would be able to illuminate on those points any further.

However, [paragraph] 68 . . . in terms of risk management as to how that is contained in a Cabinet paper when a policy is being put forward, I do believe that there is room for an improved perspective on overall risk management. The format of papers currently doesn't necessarily spell out all alternatives. Not all papers will necessarily express all alternatives if a particular option or a particular policy is being put forward. There may be cause for that, there may not be, depending on what the policy is. Some things are pretty straightforward and generic.

In general, for instance if there is . . . that's why we try to capture the additional implications via legal implications which should be filled out by the Attorney General's Chambers or the Legal Department. Financial implications, which in most cases shouldn't just simply be as simple as the ministry saying, *Oh, it's going to bring in a lot of revenue and there will be no cost*. We actually seek the comments of the Ministry of Finance on . . . well, actually, I say "we," but in general a ministry or portfolio putting forward a paper should have those comments provided by the Ministry of Finance. And the same goes for Civil Service implications. That should be provided by the Portfolio of the Civil Service acting on behalf of the Deputy Governor.

So that is one of the main ways that we seek to manage risks, especially where the policy goes outside of the immediate remit of that particular ministry. So, by driving that coherent and consistent standard, we have seen the overall quality of papers improve that are presented to Cabinet. And we fortunately had the full support of the Premier and Her Excellency the Governor in driving forward that process.

You can imagine, in the past we would have had each ministry more or less . . . we have always circulated a format for Cabinet papers. But there has always been varying levels of compliance with that format. So now one of the roles of the Policy Coordination Unit is to actually review the papers before they are formally submitted. They take a look at the papers to see whether or not . . . well, they cover what they should be covering. We obviously don't have the expertise to challenge and question the individual ministry's policy that is being put forward, but we are encouraged to question things that appear before them and to challenge when necessary. Not in the sense

that we know more; that's not the case at all. But, in an effort to ensure that what's being put before the Cabinet is well thought out.

I should also make mention the fact that from an informal perspective the process now also has an additional layer. Prior to even coming to the Cabinet Office a policy has been shared with the caucus which allows for robust discussion and debate at that level so that there is general buy-in and the nuts and bolts are finally worked out by the ministry and presented to Cabinet that way. What that does is improve governance because quite often you are making decisions that are time sensitive. And so, as the Financial Secretary can attest and others who have sat in Cabinet meetings and you yourselves have sat in Cabinet, what has happened in the past is that a paper that is not properly ventilated (if I can put it that way) might have to be deferred until further information is added or gleaned. That obviously has a negative impact because the expectation is that when a paper is being presented other decisions are going to be taken on that day. And in most cases there is likely a domino effect if that paper is deferred, because a decision needs to be made and perhaps drafting instructions or other critical deadlines are now impacted by that.

We have seen a dramatic reduction in deferral of papers because the discussion is happening now at the levels that it has to, and we are improving the risk management in that sense. So, I do believe we can always improve that even further. And that is something that I think we would look to strengthen.

In terms of paragraph 70, relating to obtaining stakeholder input. Again, one of the other parts of the Cabinet paper, one the headers in the Cabinet paper format is "other implications" or "other input." There is an expectation that a matter that has direct impact on the public or key stakeholder groups, the paper will reflect some form of discussion or consultation with that group. Again, ministries shouldn't be placing Government in a position where they are going to be taking a decision that has not been fleshed out or while, yes, it's the Government's job to make decisions and Cabinet establishes the policy of the day, a key to good governance is public confidence. That's a key outcome that you want from good governance. That is what we are doing all this for.

The public will have greater confidence in their Government if there is discussion about decisions before a decision is taken. And it doesn't necessarily mean that the decision that the Government takes will be the one that is the most popular with those key stakeholders. But I do believe in the era in which we live where expectations have been significantly elevated of us as public servants and politicians, that discussion is, at the very least, expected. And so we seek to ensure then that the papers that are presented can confirm whether that discussion has occurred. So that is very important.

While we haven't necessarily had any direct conversations with the Commission for Standards in Public Life on this particular matter, we agree that this input is a very important part of governance. And from our perspective, especially . . . and, like I said, that's just with the papers. But we have overseen an exercise which is now nearing its completion. And that's the development of the National Disability Policy which has really, I think when all is said and done and when we review how that was generated, the team, which Mr. Lewis has most ably chaired, has set the new standard for policy development and public input, stakeholder input, et cetera. And I think that will be a good test case for policy development going forward; that's our hope. Thank you, Mr. Chair.

The Chairman: Mr. Ruben?

Mr. Martin Ruben, Principal, Audit Office: Mr. Chairman, I would like to thank the Cabinet Secretary for providing a description of what has happened since we conducted our audit, which I appreciate. When we conducted our work that was not there, so I think a lot has happened in the approximately two years since we conducted this audit.

However (auditors always have that "however"), we believe more could be done. And that process, having stakeholder involvement, risk management and all that, we believe should be more formalised.

When we did our audit we looked at seven criteria. And I go back to that because we are auditors and that's our expectations. One of those expectations was in the criteria e), that "[a]n effective risk management process is in place to identify, evaluate and respond to risks that could impact on the achievement of results."

Now, that means that when you put a risk management framework in place it is inherently embedded in all aspects of management, including the planning phase, when you're actually hiring people, when you're actually controlling and putting in place proper control frameworks. As good auditors we know that good control frameworks manage your risks of protection of public assets, et cetera. And it is embedded throughout the process, including your reporting—what you report on what you don't report on, what risks are associated with ensuring that your reports are accurate and are properly prepared for the readers that are actually going to read those reports. So the risk framework is throughout your management process.

That's the governance framework that we have been using, and this is the good governance standard for public services, but more recently . . . and I think it's only fair that we also talk about the fact that the IFA (International Federation of Accounts) and CIPFA [Chartered Institute of Public Finance and Accountancy] use that framework and have elaborated

on it in something called the "[International Framework: Good Governance in the Public Sector](#)." It is built on those principles that are in the good governance standards that we used as audit criteria.

What I would like to say, though, is that in here the description of what risk management is in any public sector organisation regardless of its size is quite well defined. And I think those need to be, if you wish, more formalised and maybe better considered in terms of the decision making process, because every decision that is made by Government, whether it be at a very low level, or by Cabinet at a very significant level, needs to take into consideration risks of the organisation and the risk management framework.

Unless you document and understand what that risk management framework is, just as Mr. Dunn documents the financial management framework and all the other important management frameworks, those don't get implemented properly. Everybody [should] know what it is and if it's operating in the same way. So whether you are senior manager or a very low level manager, or if you are just delivering the services, you should know what those risks are.

Anyway, I am just elaborating a little bit on the fact that what we were expecting to find in terms of good governance is defined in this particular document, which we used as our expectations, and is now being elaborated even further. So there are even better descriptions. And I believe this is just a personal view. Since the most critical decisions of Government are made at the Cabinet level I would argue that might be the best place for the consideration of what kind of risk management framework the Government should have in place, whether it be at a very complex level or somewhat more simple. But it should be there nonetheless at some level, and that's what we're talking about in terms of the audit that we performed.

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Thank you, Mr. Chairman. I am more than happy to work with the Auditor General's Office in exploring options for an enhanced risk management framework.

Again, if there is anything we can do to support that being disseminated and implemented at the ministry and portfolio level and then ensuring that that is being carried out when things are being brought before Cabinet, I see no harm in that. In fact, I do see that as a great value being added. So thank you, Mr. Ruben.

The Chairman: Thank you for that response. That's the sort of thing we like to see!

Further questions for Mr. Rose and Mr. Lewis?

Mr. Connolly?

Mr. Winston C. Connolly, Jr.: Mr. Chairman, through you to the Cabinet Secretary. What are any other

things that we as a committee can do to assist the Cabinet Secretary in getting some of those recommendations by the Auditor General that can address some of these shortcomings in the future?

It's good to see that you have stepped up to the plate and are taking them on board and actively seeking, but is there anything this committee can do to assist?

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Thank you, Mr. Chairman.

Again, I am very grateful for the opportunity to be able to appear here today with my colleague, Mr. Lewis, and share some views. This is the first time I am doing this, so I welcome this sort of dialogue and the offer of assistance and support.

As I mentioned, this is an evolving role. I must give much praise and credit to the Deputy Governor and the Honourable Premier for their support in seeing to the development of the Cabinet office. We all work in lock step and we recognise that we are all unique creatures of the Constitution. So, it is a work in progress, really and truly, starting to get all the various levers and mechanisms which the Constitution envisioned working and going in the right direction. So we are getting things up and running.

Again, with much credit to my colleague and my fellow chief officers, we have, in essence, kind of inserted ourselves into the equation and when you do that there is always some natural friction and adjustment on all sides. But everyone has been exceedingly supportive and gracious in allowing us to take on the responsibilities which were envisioned in the Constitution.

I say that to say that I do believe that there is an area where we could add greater value. And that is perhaps at the starting point of the strategic phase for the Government, when Government is identifying its priorities. I do believe that we haven't quite struck the right balance yet when we start off our process. I think we still start off our process with a financial figure that we are trying to work towards, instead of putting the national strategic priorities of the Government on the table and then examining how much money we have to achieve those things. I think that, more or less, is a vestige or something left over from the days prior to Cabinet Office really taking up its role as envisioned by this Constitution.

So, as we know, we have embarked on reform, public management finance reform and public management reform, and we have experimented with outputs and we are trying to move that around again. I think the focus should be more on outcomes. And from the perspective of the Cabinet Office, which is supporting the Premier and the Cabinet in driving forward its policy priorities, the key for the political arm is the outcomes. They are not too worried about the outputs. I think we figured that out the hard way in the past couple of years. So, it's a work in progress.

I think we would appreciate your support in continuing to revamp that particular process to ensure that the policy priorities are essentially identified and that cascades downward and that the strategic phase is, indeed, a lot more strategic in that it involves the . . . it is something I believe the Civil Service craves. They crave to be more involved in that phase of things. We recognise that from the political perspective there needs to be agreement and a space there for them to identify what the priorities are. But if that is not clearly articulated to us as chief officers and the civil servants who are expected to carry these priorities out, then it perhaps may make the financial appropriation phase a little more convoluted than it actually needs to be. It could be a lot more efficient from that perspective.

I think that's where the Cabinet Office could add a lot more value in that process. That's what we would hope to do and continue to work with the Ministry of Finance to, again, enhance governance from that perspective, because it starts from the very top. If we know what those policies and priorities are, and if we are involved in helping to ensure that we are properly resourced and focused at the ministry and portfolio level, then I think you will see better results going forward.

I am not sure if there is anything that my colleague, Mr. Lewis, would wish to add to that.

Mr. Robert Lewis, Director Policy Coordination Unit, Cabinet Office: Mr. Chairman, I think the Cabinet Secretary covered it very well. Thank you.

The Chairman: If there are no further questions, then, gentlemen, I am happy to excuse you and thank you for your testimony before the committee today. Thank you too for your openness and the frank way in which you have accepted and responded to the questions here today.

Mr. Samuel Rose, Cabinet Secretary and Chief Officer, Cabinet Office: Thank you, Mr. Chairman.

Mr. Robert Lewis, Director Policy Coordination Unit, Cabinet Office: Thank you, Mr. Chairman.

[Witnesses depart]

CAYMAN ISLANDS AIRPORTS AUTHORITY

The Chairman: We could call the next group of witnesses into the Chamber. That would be Mr. Kirkland Nixon, Mr. Albert Anderson, and I understand that they are accompanied by Mr. Thom Guyton, all from the Airports Authority.

[Pause]

The Chairman: Gentlemen, thank you for being here this afternoon and for the testimony you are about to give. For the record, I would ask if you would each speak into the microphone and state your name and your title.

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: Good afternoon, Mr. Chairman. My name is Kirkland Nixon. I am Chairman of the Airports Authority.

The Chairman: Welcome sir.

Mr. Albert Anderson, CEO, Airports Authority: Good afternoon. Albert Anderson, CEO, Airports Authority.

Mr. Thom Guyton, Deputy Chairman, Airports Authority Board of Directors: Good afternoon. Thom Guyton, Deputy Chairman, Cayman Islands Airports Authority.

The Chairman: Thank you, gentlemen. Do any of you have an opening statement that you might like to make to this committee before we begin questioning? You don't have to.

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: I suppose, Mr. Chairman, I should say something.

I would like to state for the record that the Board found the audit quite useful. I have been around government for a long time. We have heard the term good governance used in all different contexts, but this is the first time that we really have seen what I would call a roadmap on what good governance is all about and how one goes about achieving it. We are thankful to the Audit Office for doing the work they did with us. We found it quite useful.

The Chairman: Thank you, sir.

Members of the committee, these gentlemen are open for your questions.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, perhaps to the Chairman of the Board: What specific actions have you taken since the issuance of the report to assess your governance with the framework?

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: There are a number of areas that we have focused on. Perhaps what I will do is defer to the new CEO. We prepared a paper that sort of highlighted some of the areas that we were in discussions with the Auditor General about that we felt that we should focus on and strengthen.

So, Albert, I will turn it over to you.

Mr. Albert Anderson, CEO, Airports Authority: Thank you.

I think the key thing that we implemented was a new organisational structure at the Airports Authority which is designed to ensure that we can deliver on the strategic objectives of the Authority. So that structure is actually being implemented now. And in parallel with that we are developing a strategic plan that will then feed into the ownership agreement and be managed on a month by month, quarter by quarter, basis in terms of comparing our performance against the strategic plan. I think that is probably the key thing which sort of sets the foundation for the performance side of what we do.

As the Chairman said, the report pointed out quite a few things to us that we need to work on. And we have started that work through developing a Board policy manual. That is still in draft form, we haven't completed it yet. A lot of the items (and we can go into more detail if you like) that came out of the report were being addressed in that manual, and what wasn't being addressed we are taking the steps to include those things. So, I think while we are not there yet, we are well underway to meeting most of these recommendations.

Mr. Winston C. Connolly, Jr.: Thank you, Mr. Anderson.

Just looking at some of those changes, are there any impediments or roadblocks in having you achieve those principles of good governance as described in the Auditor General's report that you would want to make this committee aware of? Or are things generally going well and you have enough support and enough resources to get those things done?

Mr. Albert Anderson, CEO, Airports Authority: I wouldn't say that there are any real roadblocks. I think the challenge is timing of when we get these things done. There are a couple of factors there, one is resources. As part of the organisational structure there are a number of roles that we need to fill that would help take some of the load off, some of the operational load off so that the people who need to get this work done can get it done.

I think secondly, again, is that I see getting the structure in place as a key part of not necessarily delivering this, but us moving forward as an organisation. So the key is structure, as I said. Now that we have that ready to roll . . . and the timing of this whole thing didn't quite work out the way it probably should have. But we just have to make sure that what we want to achieve with that can fit within our budget.

There may be some things that we can do this year and then maybe some things we have to put off until we get into a new budget year. But as far as roadblocks that say, no, we can't get it done, from where I sit I don't see any major roadblocks.

Mr. Joseph X. Hew: Mr. Chairman, that's good news.

On the front, I know the Airports Authority is going through a major capital project now. How are you finding implementing this roadmap on good governance? How is that affecting your ability to carry out the major projects, whether it's efficiently or financially? Are you finding any hurdles with that?

Mr. Albert Anderson, CEO, Airports Authority: Yes. I think, again from a timing perspective, there are a number of . . . you know, based on the FFR [Framework for Fiscal Responsibility], for example, there are a number of things we have to do before we can actually place an order (if you want to call it that). And we are going through those things. We are very strict about doing that. That takes time.

If any of you have tried to go through the airport on a Saturday you would realise that we do not have too much time, but we are absolutely tuned into doing that the right way. And then that also applies to the interim. We are trying to put some interim plans in place to try and ease the pain of that congestion problem during the time that the development is happening. And that is also being impacted by the time to go through to just do things right. But we are doing them right and trying to move as quickly as possible.

The Chairman: Mr. Anderson, I do have one question. Do you believe, or do you think that any additional legislation or regulations are required in order to better establish the accountability arrangements for Statutory Authorities and Government Companies and the core government?

Mr. Albert Anderson, CEO, Airports Authority: Actually, there was one item as we went through the report and prepared for today.

It seems that the Airports Authority Law has some aspects of it that may need adjusting in order to fully comply. And I speak to sections 16 and 17 of the Law. And if I could just elaborate a bit, section 16 states: **"(1) Subject to the approval of the Board, the Chief Executive Officer may employ, at such remuneration and on such terms and conditions as may be approved from time to time by the Board, such employees and engage under contract for services such professional, technical or other assistance, as the Chief Executive Officer considers necessary to carry out the functions of the Authority."**

And section [16 (2)] states: **"Subject to this Law, the Board shall determine the executive, management and administrative structure of the Authority for the necessary and proper discharge of the functions of the Authority including, without limitation, the delegation of functions to directors, employees and sub-committees of the Board."**

We feel that that kind of doesn't comply with some of the points being made in the report where

those particular items I think generally, as a result of the report to follow good governance, should be the sole duty of the CEO. That is the only one that we could find that probably needs a bit of adjustment.

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: Mr. Chairman, I would just like to ask the Auditors if we have gotten this right—that this really ought to change; it's an anomaly in the Law where the Board has executive authority over staff. And the Board fully agrees with the recommendation that it should be removed.

Mr. Alastair Swarbrick, Auditor General: Yes. Generally speaking, that is completely our perspective. The Board has the responsibility in appointing the CEO, but then the CEO has the responsibility for managing the organisation and effectively appointing the staff to help him manage the organisation. And that's a clear responsibility.

Once you get involved in the actual management decisions, how can you provide oversight on something that you are managing directly? That's the key risk to this issue.

So, from our perspective the clear role is that the CEO is responsible for managing the organisation, including the appointment of staff and reporting to the Board on the effective achievement of the strategic objectives that the Board has set for the Authority and be held accountable for achieving that.

The Chairman: Mr. Connolly?

Mr. Winston C. Connolly, Jr.: I think this is for the Board again. It's kind of to do with recent headlines, et cetera. What impact has the involvement of politicians outside the current governance framework had on your operations on the accountability for achieving results?

Mr. Thom Guyton, Deputy Chairman, Airports Authority Board of Directors: I would say none. We have a good team. We know what we have on our plate. We see the headlines too, but we don't really pay a lot of attention to it. We're taking the high road. We know we have good leadership in place.

You had asked Albert what actions have taken place since the audit came out. And there are a lot of things going on at the airport. One of the things with the Board policy and procedures manual, one of the holdups is just clerical help, frankly. We have a draft that's probably ready to roll, but, as you know, we are faced with ramping up for the capital projects. Albert is running a lot of emergency projects to deal with overcrowding at the airport and stuff that should have been done a long time ago. We have ramped up the finance department in that we have created a position over the top of everything that was there before for a

qualified accountant. And that post has been filled. That's huge for us going forward.

To answer the question about ramping up for the capital projects, that was the key. So the financial information is starting to tighten up and be more accurate.

We are not really paying attention to the press.

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: I would just like to add that we have been in office . . . what . . . about a year. The Minister has visited the boardroom once in all that time (I think Mr. Hew was there), and that was simply to introduce us to the staff. And we haven't seen him since. If he has a directive to give it comes through his chief officer in writing. And we appreciate that.

So, if we fail, or whatever, it won't be through political interference; that doesn't occur in this instance, nor would we (should I say?) tolerate it.

The Chairman: Any other questions for these gentlemen?

If not, I will thank you for . . . oops, go ahead sir. Sorry.

[Inaudible interjection]

Mr. Albert Anderson, CEO, Airports Authority: Sorry. I think I answered the question about changes to the Law, but I think there is particularly one other thing that I believe would help, or we believe would help the statutory authorities in general because the report quite rightly calls for things like annual reports and things like a table of delegated duties, et cetera.

A number of, let's say reports, or just records for the matter of records, I believe it would be good for all of the SAGCs if there was a central repository of templates that you could use. So, if you are doing an annual report you would have everyone doing it in the same format—not the same content, obviously, but in the same format. If you have a table of delegated duties it would be in the same format. And that would help not just the SAGCs but also the ministries or central government because they would be able to assess everything in the same way. So that was just one other recommendation that we would make to try and improve things.

Mr. Thom Guyton, Deputy Chairman, Airports Authority Board of Directors: Just guidance material in general. You know, when a new Board comes in it's usually a wholesale change. We would have expected to find mature documents on the shelf to pick up where the last Board left off. But that doesn't seem to be the case. And our understanding is that across the SAGCs everybody is reinventing the wheel in a lot of cases.

So templates and guidance documents for how you all would like to see statutory authorities organised would be helpful.

The Chairman: I do have one question for you.

Mr. Guyton, you and Mr. Nixon, in my mind, are effectively volunteers on the board of an authority. Once appointed, do you receive, or have you received, any sort of sensitivity training in these principles of good governance and accountability we're talking about?

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: Would you like me to answer that?

The Chairman: Give it straight and true.

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: Everybody knows that I have been with government for a long time—most of my working life. And I have served on numerous government boards.

You keep hearing the term "good governance." And what I say to start off with is this: This the first time that you are really starting to understand what the term really means. People just throw it out, "good governance." Right? And Mr. Ruben was the first one . . . when we first started to talk he sent me some documents, I think it was a Canadian document, explaining what good governance was. Then we started to talk about how we could get some training. It turns out there is nobody really here that does good governance training so you are starting from scratch.

So, the whole exercise has been very educational. Finally, I think we are getting to the point where we now understand what good governance is. I would like to say that I think a lot of boards want to comply; it's just having a difficult time getting there, you know? So, training is very, very important. I suppose we will get there soon. But, yes, it's been difficult.

Mr. Thom Guyton, Deputy Chairman, Airports Authority Board of Directors: I would like to add to that. I had experience with a previous government department. I think I learned the most about good governance through bad governance.

I have seen in the past where board members are politically appointed civilians off the street, so to speak. They come in and really don't understand the difference in the executive management team and a board member. In fact, some boards go so far as to designate people, you know, *You're in charge of accounts; and you're in charge of marketing*, and so on and so forth. And it just encourages micromanagement in some of the boards.

So, I became passionate about it from that experience. In the business that I run I am very strict about it and there is a definite division. We made sure

that Albert understood that that is how we felt about it when we recruited him as well.

Mr. Winston C. Connolly, Jr.: Just speaking about the SAGCs. In his report the Auditor General indicated that the framework in place to hold SAGCs to account wasn't working well. What do you believe is preventing government and the SAGCs from implementing ownership and purchase agreements that set out clear performance objectives and accountability for results expected by those agreements?

Mr. Albert Anderson, CEO, Airports Authority: I think it is simply the demand for that level of performance. There is no one saying to me that I need to submit a report of my performance versus the ownership agreement by the 20th of June 2014 and then again each quarter. That doesn't come.

That's no excuse for me not doing it. I should still do it; but if there is no demand for it, then why should I do it? I think that, very simply, is the way I see it.

Mr. Winston C. Connolly, Jr.: And do you think legislation or regulation could help that to a certain degree, by putting these expectations and timeframes and reports—

Mr. Albert Anderson, CEO, Airports Authority: I think it's a basic business requirement. I mean, I worked in the private sector for a long time and that was it. *You need to get a report to me by 8:00 Monday morning. If it means you have to work the whole weekend, it means you have to work the whole weekend.* Anyone who is running a business or operating at a high level in a business should be concerned and be able to deliver on that.

Whether for the purposes of a government or a public service organisation that needs to be put into regulation or law to make it work, I'm not that well versed to be able to answer that. But at the end of the day, I am the CEO for the organisation and I take accountability for what I need to do. And if the Board or whoever says, *Well, you are not delivering your reports on time—bye. We will get someone who can do it.*

Mr. Thom Guyton, Deputy Chairman, Airports Authority Board of Directors: If I could just add to that, it all comes back to strategic planning as well. The ownership agreement needs to synchronise our strategic planning with government's strategic planning. And that's probably something that needs to be stronger. It's not just a statutory requirement that we produce an ownership agreement. I mean, it should be some real planning that goes into that so that it's meaningful.

We, as a Board, that's all we need—just the strategic plan. Where do you want us to go? What do

we need to do to push the country's agenda? And we have a leader in place that can take that and run with it as well.

Mr. Winston C. Connolly, Jr.: My final question is: What other recommendations that you think would be helpful from this committee in addition to the ones that the Auditor General has made that would help address some of these things and make your job a bit clearer and easier?

Mr. Albert Anderson, CEO, Airports Authority: I think if we just write a report with some recommendations and just leave it and hope that it gets done, probably in a lot of cases it won't happen. So, there needs to be some follow through, whether that is from the Auditor General or from the central government to ensure that . . .

Really and truly I would expect to see that each authority's shortcomings are clearly identified and an agreed timeframe given by when it will be delivered. And then you manage that organisation against that objective and that timeframe. Certainly, within the Airport we do that ourselves and make that happen. But it should come from . . .

Mr. Kirkland Nixon, Chairman, Airports Authority Board of Directors: Perhaps the system that the CIAA uses to audit the airport on compliance with the regulatory requirements for aviation is an example of what Albert is talking about. We get audited on a regular basis and then the auditors come and may be there every day for a week. They come in whenever they want and they demand to see what action has been taken. You have to give them timelines, and they stick with the timelines. So, the Airport is on a rigid regulatory regime as far as air safety is concerned and complying with international requirements.

But as far as meeting governance, it's a whole different ball game. You know, someone sends you a memo, *You need to do it by so and so*, and mañana will do; that sort of approach. So there is a big difference with what the regulators in the aviation world require and what government is requiring. Perhaps what Albert is saying is that you need to be more vigilant in demanding that you get what you need on a timely basis.

Mr. Thom Guyton, Deputy Chairman, Airports Authority Board of Directors: And just to add again, going back to good governance, instead of this sort of grey area "we want good governance," specific guidelines, templates, whatever, you know, "you must have a policy procedures manual." "It has to have these headers." I think if government provided that and then you come to us and we don't have any such document it's negligence on our part. But expecting everyone to do the right thing in, I don't know how many statutory authorities you have, but I know it's a lot.

Probably, if you have 27, you are going to have 27 different sets of documents done 27 different ways and you might not be happy with any of them.

Mr. Alastair Swarbrick, Auditor General: Just some thoughts on some of this in terms of mechanisms forward, because one of the key issues is that we do see 26 Statutory Authorities and Government Companies doing things their own separate ways in everything.

There is an opportunity here for Government to actually have a public bodies unit, or something that is providing the key guidance and the key advice around financial management, HR, governance, all sorts of aspects to try and create some consistency. It still leaves the authorities with flexibility, but it creates consistency about how you approach things and the policy, et cetera, and providing clear procedures and guidance for how boards should operate, et cetera. It doesn't necessarily have to be legislated, but clear policy guidance around how you should actually effectively implement it. You know, just something like that in terms of things like reporting back to the ministries.

The Law already has some requirements around reporting in terms of financial performance against ownership, et cetera. It's just been to the extent that compliance has been an issue, and about clearly integrating strategic directions through policy from government and the strategy of individual authorities in terms of what's in the ownership agreements and actually making them real documents from that perspective, because they haven't, from our perspective. They are essentially just a process to get budget approved, generally speaking, rather than actually an effective mechanism for holding the authorities accountable for their actual . . . what they said they would deliver strategically in line with the Government policy. So, just a few thoughts.

The Chairman: Now I can thank you and excuse you from the committee. Thank you for your forthrightness and honesty and candidness in responding to the questions today. Thank you for your testimony. You're excused.

[witnesses depart]

PORT AUTHORITY

The Chairman: I would like to call our next witnesses to the Chamber. They are Mr. Errol Bush, Chairman of the Port Authority and Mr. Paul Hurlston, Director of the Port Authority.

[Pause]

The Chairman: Good afternoon. Thank you for coming to this meeting of the Public Accounts Committee. I know we are way behind in terms of your presence here. I apologise for that, but it has taken us a bit

longer to get through these reports than we had anticipated. But I appreciate your patience.

For the sake of good order, could I ask you to each please speak into the microphone and state your name and title?

Mr. Errol Bush, Chairman, Port Authority: I am Errol Bush, Chairman, Port Authority of the Cayman Islands.

Mr. Paul Hurlston, Port Director, Port Authority: Paul Hurlston, Port Director.

The Chairman: Thank you.

Do either of you have an opening statement that you would like to make? You don't have to, but we do give you the opportunity.

Mr. Errol Bush, Chairman, Port Authority: Just briefly. We found the governance documents very helpful. Some of them are quite lengthy, but, overall, it was a very good experience for us to go through them. I think that we have a good idea now of where we need to go to achieve, and what we need to do to achieve good governance under those guidelines.

The Chairman: Mr. Hurlston, do you have a statement or anything you would like to say?

Mr. Paul Hurlston, Port Director, Port Authority: No.

The Chairman: Okay.

If members don't mind, I will just kick things off then. Mr. Bush, what do you believe is your role with regard to ensuring that the principles of good governance as described in the Auditor General's report are followed and are implemented?

Mr. Errol Bush, Chairman, Port Authority: Well, as Chairman of the Board, I think that my role is to oversee the decisions made by the Board. Whereas I am not an expert on this good governance, we do have people on our Board who are well versed in it and that is our chief officer, and we have an ex-officio member, Mr. Michael Nixon, who helps in this.

As far as good governance is concerned, good governance to me is a good example of common sense mixed in with business. We are trying to achieve that. My role in that is to see that we do succeed in it.

The Chairman: Mr. Hurlston, could you answer the same question from your perspective as Director of the Port?

Mr. Paul Hurlston, Port Director, Port Authority: Yes, Mr. Chairman.

From my perspective good governance for the executive officer is to have clear policies and procedures, written policies and procedures, which we do have now, and to ensure that they are carried out; also, to carry out the wishes of the Board under the appropriate laws.

The Chairman: Thank you sir.

Members of the committee, can you pick up from here?

Mr. Winston C. Connolly, Jr.: There were a number of recommendations by the Auditor General. Which of those have been taken on board since the report, and what specific actions have you taken to try to achieve better governance on the Board and your operations?

Mr. Errol Bush, Chairman, Port Authority: I think I will let the Port Director carry that one.

Mr. Paul Hurlston, Port Director, Port Authority: Mr. Chairman, the Board has embarked on looking at the organisation structure. I think this is something that is in the makings now. We are going to do a comprehensive review of the Port Authority and all the roles. This should be carried out in due course.

Mr. Winston C. Connolly, Jr.: But in terms of the how the Board operates and interacts with management, any of those things that were identified in that report, what's been taken on board, or what's being taken on board and how are you trying to achieve those recommendations?

Mr. Errol Bush, Chairman, Port Authority: I must admit that as we came into this building I was just given the results of the survey that was carried out. And I just went through them quickly.

Several of those have been corrected. We have created one or two committees to act in its capacity. We have created an audit committee. Another committee that was created was sort of a working committee to look into the overall expenses of the Port, operational expenses I should say, to try and achieve greater functions or more efficient functions with less . . . on a more economical basis, I should say. We have not gotten that report yet. It is in its final stages. When we do get that, that will be going a long way towards correcting some of the things that have been outlined in the audit which, as the 2013 Audit clearly states that the Port Authority is a concern that if it were in the private industry it would be a grave concern that it would no longer be a functional operation. We want to correct that.

Our first decision on the Board was that the Board was going to run and operate the Port Authority as a business. To that effect, I think we are trying our best to do that.

Mr. Connolly's [question] to corrections of that survey, I really cannot answer right now as I have only just seen the answers to that survey on my arrival here today. I will be addressing those. Some of them have already been addressed, although I didn't know they needed to be, or they were in a survey. But some of those have been addressed.

Mr. Winston C. Connolly, Jr.: Thank you, Mr. Bush.

I guess overall when I am looking at the survey of the Statutory Authorities and Government Companies' governance, and we are looking at appendix 2 on page 27. I don't know if you have that. You don't have that in front of you. I guess this goes on to part of your answers to the previous question. But when we are talking about the survey questions and focusing on organisation's purpose and strategic direction, define functions and roles, corporate values, decision making process and managing risks, the capacity building for Board members, engaging stakeholders and, finally, the processes and practices, these are all things that I guess you are actively seeking to either check the box to say we are already doing them, or taking them on board going forward.

This is a question, Mr. Chairman: Would it be something in this committee's ambit to ask that a follow up of that be given in the future? Or is that something we would wait for the Auditor General to report on at the next audit? I don't know, Mr. Chairman.

The Chairman: We had discussed the possibility of the Auditor General following up on some of these reports at a later point in time.

Do you have something you would like to add Auditor General?

Mr. Alastair Swarbrick, Auditor General: We can do that. And within your role you can ask the various authorities to come and report on the progress they say they are making in terms of these areas if you wish as well.

The Chairman: Sure. Okay.

Mr. Errol Bush, Chairman, Port Authority: Mr. Chairman, I will be glad to comply with anything that you think is necessary. Certainly, we will be addressing these issues.

Mr. Winston C. Connolly, Jr.: Thank you for that, Chairman of the Board.

And then my follow up question is: In your opinion, what are the impediments to achieving certain principles of good governance described in the Auditor General's report? For example, the Board appointments, the Board operations, the appointment of CEO, involvement of ministry, involvement of the minister, and any communication issues, et cetera. I mean how are those being looked at in their totality

and are there any impediments, including political interference, if any, in that process?

Mr. Errol Bush, Chairman, Port Authority: We have had actually no political interference into our organisation since I have become chairman. As for direction from the Ministry, I was told I was going to be appointed chairman. I was given a letter and told to get on with the job. I think that one of the issues that I find very confusing is that we do not know what central government expects of us. We know that we have a Port to run. We know what the Port's functions are. But we have no clear direction as to what is expected from central government and where we should go with it. We do know where we want to go; but we have certain impediments in that. And those are mostly financial.

But we do need guidance from the Ministry, what is expected, where [the Minister] wants to end the next four years at, where he would like the Port Authority to be. And, of course, we have an antiquated law that needs to be addressed, along with the regulations. They have not been really revised since their implementation, and we need that to be done.

The Chairman: Mr. Bush, I think you may have alluded a bit to . . . but at the moment the Port, in conjunction with the Ministry, is facing or about to engage, or has started or embarked upon, what is the largest redevelopment project probably in this country's history in terms of dollar value with the Port expansion and the cruise ship pier terminal. What are the challenges that the Board or the Port faces with regard to managing and dealing with a project of this magnitude?

Mr. Errol Bush, Chairman, Port Authority: Actually, Mr. Chairman, the Board really has nothing to do with that project. It is being run by a steering committee. The Board's representative on that committee is the Port Director and his deputy. But the Board itself has no part to play in the planning or implementation of plans for that project.

The Chairman: Mr. Hurlston, what about the involvement of . . . you are involved, clearly, on the steering committee. What about the rest of your management team? Are they engaged on giving advice or other participation?

Mr. Paul Hurlston, Port Director, Port Authority: The Deputy Port Director of operations sits on the committee also, with me. We are the two representatives from the Port Authority.

The Chairman: Okay.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, just to add to your question: In terms of major capital projects and the kind of governance framework that exists to-

day, what are your views on how that could be more effective? And would you think, or not think, that as Director of the Port—your expertise, your say-so, your know-how, and also the fact that at some point in time you will probably have to be carrying out some of these things—you shouldn't be more involved at this stage in order to deliver the project on time and at cost and just talk about logistics? Or is that part of what you are doing now? And if it is, is it adequate?

Mr. Paul Hurlston, Port Director, Port Authority: Mr. Chairman, the steering group committee was set up based on recommendations from the FCO [Foreign and Commonwealth Office] which set out the guidelines that have to be followed. It is chaired by the chief officer in the Ministry of Tourism. And there is a representative from Finance. There is a representative from the Public Works Department and also a project manager. We are in the early stages of procurement, doing the EIA [Environmental Impact Assessment] studies. So, at this stage from my perspective, I give whatever input that I can. It's a whole matter for the whole steering group making decisions.

Mr. Alastair Swarbrick, Auditor General: Mr. Chairman, if I could make an observation here, I think one of our observations around the Port project for redevelopment, the governance is a bit, shall we say, strange from my perspective in terms of what role does the actual Board have of the governance in the redevelopment of the Port as they are charged with the actual management and operating, or being accountable for the oversight of that, for the strategic direction of the Port. If they have no specific role in terms of the redevelopment of the Port . . . so it's confusing, I suppose is the best way to describe it, in terms of what relationship the Board has in terms of the Port redevelopment.

I understand from the offices in core government's perspective that it's such a major capital project in trying to manage the risk. But the Board has to have some sort of specific role in terms of oversight here because they have to manage the Port . . . or not manage it themselves, but they are responsible for the Port and accountable for it delivering its services, ultimately. Without any idea of what's going on in terms of major capital project, it's very difficult for them to actually fulfil their role effectively, I would suggest.

The Chairman: There is a real big risk here in terms of good governance that that does not exist.

Mr. Alastair Swarbrick, Auditor General: The risk is that core government and the Port Authority are going at different directions strategically, potentially.

The Chairman: Mr. Ruben?

Mr. Martin Ruben, Principal, Audit Office: Yes, I would just like add to the Auditor General's comments, Mr. Chairman, that a steering committee (as described by the witnesses here) is a key element of good project management and, of course, it's critical to the success of a project. But there are many other elements of what a project management framework should include, including a project sponsor and project manager, et cetera, as we go through the whole process.

But key to the success, as the Auditor General said, is somebody who is responsible overall for the project. That's a bit murky in terms of our understanding at this time, because, as stated, it is the Port's asset, yet the engagement doesn't seem to be there at this time that we would think would be for a project of this nature. We just think that it needs to be clarified in terms of what the overall government's framework will be and who the steering committee will ultimately report to.

Mr. Alastair Swarbrick, Auditor General: Just to finalise on that, I think it is who should be held accountable, ultimately, for the delivery of the Port. And then if the Port Authority Board itself is not involved in the process they can't be held accountable for delivery of it ultimately, and it's their asset you are delivering, I think it's confusing. There needs to be some clarity about how it is all going to work together.

Hon. Kenneth Jefferson, Financial Secretary: Mr. Chair, if I could just interject for a few short seconds to say that the Acting Accountant General, Mr. Dunn, is on the committee that we are just speaking about. But it is my understanding that although it might be shocking to say there is no definitive conclusion right now that there shall be a pier and a redevelopment, I think the function of the committee right now is actually making that assessment. I will ask Mr. Dunn to elaborate.

Mr. Ronnie Dunn, Acting Accountant General: Thank you, Mr. Jefferson.

Mr. Chairman, as the Financial Secretary pointed out, essentially the steering group is carrying out the requirements of the business case as required by the FCO [Foreign and Commonwealth Office] and taking into consideration various elements in terms of the environmental impact if there is to be piers out in George Town Harbour—what is the financial viability of such a project, whether through a public/private partnership, or public sector financing, and the various components of that.

So until we arrive at a conclusion as to whether or not it makes sense to have berthing facilities, how such a facility could be potentially financed, we are essentially going through a business case process. Perhaps that is the reason why the Port Authori-

ty as an organisation in and of itself is not accessed in a more intimate manner.

We have the participation of the Port Director and his deputy, which has been very valuable to the steering group in their contribution. But the Board has not been involved because, as I understand it, we are not at that stage yet. It may very well conclude at the end of this that we shouldn't have piers.

The Chairman: Okay. Thanks for the information. Mr. Connolly?

Mr. Winston C. Connolly, Jr.: In terms of strategic direction from Government, you said there hasn't been any. Going forward, has . . . in the past . . . or has this Government required regular reports and kind of justification of monies given over to the Port, things like that, accountability procedures that you follow generally? Or is that also kind of up to the Port to feedback to central government?

I guess I might be muddling it a bit. But I am just trying to find out what procedures are in place and what the relationship, in terms of information and accountability back to core government, is for the Port and other statutory authorities.

Mr. Paul Hurlston, Port Director, Port Authority: Mr. Chairman, the Port is one of those organisations that generally contributes to central government. So, in terms of accountability of what government gives us, that's not really an issue. But there have been no . . . like we said, there is no strategic plan. And there has been no, I guess, follow up on the Port's performance based on its agreements with the Government.

We project what our revenue will be. In the past we used to contribute to government before the recession. But things changed a bit, as we talked about. But there has never been any follow up or any specific guidelines on what the Port Authority should contribute as a dividend to the government, or reasons why when we can't do it.

Mr. Winston C. Connolly, Jr.: Would it help you if this committee made recommendations to ensure that those mechanisms were in place so you knew what was expected of you, and government knew how to measure performance based on those expectations and performance agreements, et cetera? Is that something that this committee could help in terms of recommendations?

Mr. Errol Bush, Chairman, Port Authority: I think that that would be a good idea to have that in place from central government. Yes. We have never had that. We've always . . . in the past when I . . . 13 or 14 years ago we had a sort of loose agreement with the Financial Secretary at the time that we would contribute 10 per cent or 15 per cent of our income yearly, and the rest would go into capital expenditure. The

law does not state that. The law states that we can only hold \$100,000. Well, \$100,000 can't even pay a week's wages for us anymore. So, our laws need to be changed. They need to certainly be clear cut and not antiquated as they are.

The Chairman: Any other questions for these gentlemen?

There are no further questions. Gentlemen, I thank you for your testimony before the committee today. Thank you for your forthrightness and your candid answers to our questions. We release you at this time. Thank you.

Mr. Errol Bush, Chairman, Port Authority: Thank you sir. Thank you gentlemen.

[Witnesses depart]

CAYMAN TURTLE FARM

The Chairman: I would like to call our final two witnesses. They are Mr. Brian Wight, Chairman, Board of Directors of the Cayman Turtle Farm; and Mr. Timothy Adam, who is the Managing Director, Cayman Turtle Farm.

[Pause]

The Chairman: For the record would each of you speak into the microphone, state your name and your position?

Mr. Brian Wight, Chairman, Board of Directors, Cayman Turtle Farm: Brian Wight, Chairman, Board of Directors of the Cayman Turtle Farm.

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: Tim Adam, Managing Director of Cayman Turtle Farm.

The Chairman: Thank you for appearing before the committee today. Do either of you have a statement you'd like to make before we proceed to question you? There's no requirement for you to, but feel free to make an opening statement if you'd like.

Mr. Brian Wight, Chairman, Board of Directors, Cayman Turtle Farm: Just briefly. We have just been appointed as a new Board. I think the reports were helpful to us just getting our feet wet, learning about the Cayman Turtle Farm, what had happened, what was going on, how it was being run.

It was interesting to get these reports and kind of get an idea of what we should be doing or looking for, or trying to achieve.

I would say we hadn't had specific directions. I think the general feeling is, obviously, we are trying to reduce any burden on government's finances as far

as we can. We had that . . . not as a directive, but certainly we understand that's what we are trying to do. But no specific directions in what we need to achieve. So, these reports helped quite a bit in terms of understanding what our responsibilities were and what we should be trying to achieve as a Board. So they were helpful to us.

The Chairman: Okay. Thank you.

Mr. Adam, anything you'd like to add?

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: As the Chairman said, I found that the reports really highlighted a lot of aspects of good governance and put it together in ways that made it quite understandable as to how that translates into government, and, for our interest, into government companies and how a government company would fit into the overall governance structure, and in some of the elements that are important to the good governance are well defined.

The documents, in particular the survey of the Statutory Authorities and Government Companies governance was one that was quite enlightening to go in and read that and also to look closely at the improvement opportunities to see how we measured up and where there are areas that we can improve.

The Chairman: Members of the committee, these gentlemen are now available for your questions.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, having gone through that exercise in the survey, what specific actions have they taken since the issuance of the Auditor General's report to assess their governance structure and also just to align it with the principles outlined in his report?

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: I think one of the good things about the report as well is that it drew out examples in various Statutory Authorities and Government Companies as to where things were being done right, where there were some good examples. So, that's beneficial as well, to get feedback and affirmation on certain things that we are doing that are along the lines that meet expectations. So, that was very helpful.

And then, having the improvement opportunities itemised we went through each one. For example, in the first section the improvement opportunities came at 27 and 28. Number 27 talked about a mission statement and a strategic plan and risk identification and mitigation, and so on, to be included in the strategic plan. So, we then evaluated ourselves against that.

Well, we do have a mission statement. There is a strategic plan that was put together back in 2000 that we have been working our way through, quite a long-term plan.

A revised strategic plan could be something that the Board works on now, looking ahead for another five years once we are able to get a hold of the Ernst & Young report to see whether that has pertinent elements that need to be cast into the strategic plan for Cayman Islands Turtle Farm. So that will be one thing that I think we could follow up on to pursue.

Also things like the Board meetings. Our Board meets monthly. It receives regular financial performance updates during those monthly meetings. One of the things we have done now since the beginning of July is change over to new point-of-sale systems and new financial accounting software. The work is still in progress to improve on the operational reporting to make it more-timely and more meaningful that we have to help in regard to measuring against achievement of the strategies and the outcomes that we are trying to reach.

[Number] 28 talked about the improvement opportunity of strategic goals and objectives covering a three-year period. I think typically our submissions on the ownership agreement have been focused really on the coming year rather than the full three-year period. So, that is something I think we can work on for the new upcoming ownership agreements submissions in subsequent years, once we have the chance to put together a good five-year strategic plan and refresh of the strategy we had before. It is then to integrate into the ownership agreement those elements that cover the next three years.

Again, moving on from that, in [number] 44, although not an improvement opportunity as such, it did cite Cayman Turtle Farm as a good example of delegation from the Board to the management. We have a very definitive table of delegated authorities. And we are happy for that to be used as a template. I know a previous SAGC was suggesting that it would be nice to have a template. And if that is deemed appropriate, that's one way we don't have to reinvent the wheel. We could show an example of how it is working for us and then obviously be modified for use in other entities.

Another piece of good news is in [number] 46. It talked about the appointment of a CEO. But in my experience in Cayman Turtle Farm it is the Board that appoints a CEO, which is in line with what good governance framework would expect.

In terms of the improvement opportunities following on in 51 it speaks to the job descriptions for the CEO, which we do have; job description for managing director. But we don't presently have position descriptions for the chairman, for the directors, but their duties are defined in the Articles of Association. So it's not like they don't have something to define it. But, again, that's something to be considered.

Anyway, we worked our way through all these improvement opportunities to see which ones we felt we were compliant with and which ones we felt we need to . . . you know, we have some opportunity to

improve. I can go through point by point, but just to give you some examples of some of the things we were looking at.

Mr. Winston C. Connolly, Jr.: That's fine, just in general in that.

I guess I wanted to glean if a) you thought it was a useful exercise; and b) if there were things you were taking on board. We pay for audits. We pay for the Auditor General. We want to see that you are agreeing with their findings, but probably more importantly, that you are acting on their findings in terms of the overall governance structure.

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: Yes. As I mentioned, we are going through step by step on each of these improvement opportunities and measuring up and then seeing where we can improve.

But also we are looking at it with some critical thinking. There is a concern expressed in the document in [number] 88 which talks about the method of which . . . or the directions in which things should come. **"The concept of taking a matter to the board, for 'consultation and advice', should only be accepted in the rarest of circumstances. A board can always give a CEO advice by not accepting a recommendation and deciding on another course of action. For a CEO to seek advice and direction from the board, turns the governance framework upside down."**

I don't know that I necessarily wholeheartedly agree with that because I find that our Board is drawn from leaders with a variety of expertise and experience. So, frankly, I found that there are matters which are very valuable to take it to the Board for discussion, advice and direction. Rather than necessarily coming with a fully developed proposal, I think we can short circuit a lot of reinvention and rework sometimes by going to the Board to present something, getting the Board's input and then developing the proposal that management is going to bring to the Board for their final approval and finding direction for the way forward.

So there are a couple of things in there that I think . . . that's one example where I wouldn't say I agree 100 per cent with everything that's in there. But I think there is a lot in there that is well worth taking on board and well worth pursuing.

Another comment I would have is very practical and mundane, but these are documents that I believe would be beneficial to be able to cut and paste parts of them into working documents that we would use on the Board and use in management. The present practice is that they are issued as PDF versions. And it's great having an electronic version; the problem with electronic versions that are distributed, though, is that they presently have, not all of them, but most of the documents, a type of security protection

that does not allow copying or highlighting and it makes it really laborious to be able to use as well as we want to use it because we really want to use some of this wording; it's good stuff.

Mr. Alastair Swarbrick, Auditor General: I think we can address that quite straightforwardly. We are just paranoid about printing on our website without appropriate security. But we can work around all that.

Can I just to make a comment here, as well? We suggested that you ask the Turtle Farm to come today because we found a lot of good practice being employed by the Turtle Farm in how it went about its business in terms of its . . . for example, we talked about the ownership performance and ownership agreements. They are actually very specific in their ownership agreements about specific results they are intending to achieve in terms of things like hatchling numbers and things like that, increased by 20 per cent, or whatever else. So, they were part of some good examples of some good practice across the Statutory Authorities and Government Companies in terms of actually how they went about the process of managing their resources.

We all know about the ongoing financial concerns and financial issues, but underlying all of that is they are still trying to manage effectively and doing it in a way that we thought present quite a lot of good examples of good practice in how they went about that.

The Chairman: You said that was in their ownership agreements with the . . .

Mr. Alastair Swarbrick, Auditor General: Yes. And if you look at the report The Accountability of Statutory Authorities and Government Companies on page 12 . . . we talk about it on page 11, but the actual examples are on pages 12 and 13, we have pulled out a case study of the Turtle Farm's actual ownership performance and results expectations as a good example in the community so far.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, I, in fact, had that page already open and I was going to commend the Chairman and the CEO on having these systems in place.

You made one observation earlier about some of the practices that you have that could perhaps be shared with other SAGCs. I don't know, Auditor General, if you've gone that far in that. Have you have taken best practices that you have seen and suggested that they kind of be combined and perhaps, like you said, not reinventing the wheel, kind of use, or at least recommend to core government that some of these things should be across the board?

I know in several reports you were talking about almost a play book so to speak.

Mr. Alastair Swarbrick, Auditor General: Yes, there's always the opportunity to try to share good practice. And that has always been an objective of my office to try and do that. But in trying to put it all together as well and doing the audits proves challenging in terms of resources. It is always what is the . . . our priority is always to try and get our audit work done and try to meet that. Obviously, we do have that vision and goal to try and pull our best practice, good practice. I always try to refer to it as "good practice," because what is best practice is just good practice in reality, and how we can do that in an effective way that people can share and use across the government and pull practices from various jurisdictions and share that as well, because there are all sorts of practices you can pull out from various places where lessons can be effectively learned rather than having to reinvent the wheel which is what see quite a lot, not just in the SAGCs, but across core government. We see ministries and departments reinventing the wheel as well. So, you know, it's about making the most of what limited resources you have in these situations and taking the best you can.

I think it is something that we need to look at as an office is about how we do that more effectively in trying to share actual physical examples of good practice.

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: Mr. Chairman, I think, again just to emphasise what was really beneficial in the report was how the Auditor General's Office did exactly that. They found good examples in different SAGCs and actually cited examples and cited concepts [SOUNDS LIKE] so you read not just the principle, but you shared with us what was actually done, the actual words, examples and the case studies and so on. I think that's extremely valuable to put meat on the bones of the principles that are trying to be got across. So thanks for that. That was very helpful.

Mr. Brian Wight, Chairman, Board of Directors, Cayman Turtle Farm: Mr. Chairman, just to say we, as a new Board came and found what we think is good governance. Everything seemed to be being addressed to a very large extent by the management team that was there. We found they are constantly looking for ways to improve. I think probably in a general sense, one thing that we probably should be doing more of, is long-term planning. I think as a Board we are meeting and we are dealing with monthly issues (we meet once a month), and probably for the year when we do the ownership agreement and so on, we go through our goals for that. We really haven't done much long-term planning and that is probably something that we should be addressing.

But other than that we did find that most of the good governance was in place. Can't take credit for it, it was there. And we are just kind of maintaining it and

making sure that we are continuing in the right direction as we see it.

The Chairman: Any other questions?
Okay.

Mr. Joseph X. Hew: Mr. Chairman, I would just like to ask if there is any other recommendation that this committee could make along with those made by the Auditor General that would assist them in carrying out their good governance, or any suggestions you may have that could strengthen that relationship between the SAGCs and the core government.

Mr. Brian Wight, Chairman, Board of Directors, Cayman Turtle Farm: For me, as a Board member, I think it was mentioned earlier that if there was some sort of template of what is expected of us and what we should be doing. We come in. We're a new Board and we're trying to learn what has been going on. If we had some idea of what was really expected of us, what our responsibilities were clearly, then that probably would help.

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: Yes, and extending that somewhat, the document has in it a recommendation as to what all should be included in the induction of new board members. Since we generally find a lot of that is done all at once for many different boards or it's done within a month or two of each other. It would be good to have an induction training set of sessions for board members. I believe that would be very beneficial.

There were some done, but it was very heavily focused on conflicts of interest. While that was probably a major concern at the time, it's obviously not the only element involved in good governance that I think could be emphasised at this sort of induction session that we could have for the board members that are coming on new to the board. But there is laid down here good information on what documentation they should be getting when they do come on board. I think that was helpful.

I think another thing that can help is to think about how to better strengthen the linkage between the government in developing its strategic policy statement and the SAGCs developing their strategies and, in turn, the ownership agreements from it because they should flow one from another. It varies, I guess, by SAGC because in some years we find that the Strategic Policy Statement [SPS] has a particular area, or areas, of focus that we can draw directly from. In other years the SPS is tackling other issues. So, there is less of that direct linkage when we come to write the ownership agreement. But that's what we attempted to do in each case, to write an ownership agreement that can also point to particular points within the SPS to say this is how we are fulfilling our part of the SPS. So that's another area.

And then a final, really minor point, but it just helps me. Sometimes I am easily confused, but when we are reading documentation that refers to the chief officer, it is one of the things that I think the Auditor General is doing now and I think other areas are doing it as well, is although in some of the legislation the chief officer, as a terminology, applies mostly to the CEO as well as the Chief Officer in the ministry, it's really helpful I think to use that additional term, CEO, or Chief Executive Officer, when you are referring to the head of the SAGC, rather than the Chief Officer in the ministry. That helps clarify who is responsible for what. Again, these are minor points, but, you know, it can make it much more useful when we go producing and then reading and using these documents.

But all in all, I think this was a very worthwhile exercise.

The Chairman: Gentlemen, we want to thank you for your attendance here and for giving your testimony today. Thank you for your forthrightness and candidness in the way you approached things.

This concludes the . . . I will excuse you at this time, formally.

Mr. Timothy Adam, Managing Director, Cayman Turtle Farm: Thank you.

Mr. Brian Wight, Chairman, Board of Directors, Cayman Turtle Farm: Thank you, Mr. Chairman.

The Chairman: Ladies and gentlemen of the Public Accounts Committee that concludes today's deliberations. For the benefit of the press and anyone else that might to be listening in, we are going to reconvene on the 16th of September to conclude our investigation on this report. I think we have probably three or four other groups of witnesses that will be before us that day.

Until then, we are dismissed from the PAC. Thank you all.

At 4:05 pm the PAC stood adjourned until 16 September 2014.



Legislative Assembly of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Meeting held *with Witnesses*

Tuesday, 16th September 2014

9:00am

Minutes and verbatim transcript of the meeting of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly Building, Grand Cayman on Tuesday, 16th September 2014 at 9:00am.

Present: Mr Roy McTaggart, MLA – Chairman
Hon McKeeva Bush, MLA – Deputy Chairman
Mr Winston Connolly, MLA – Member
Mr Joseph Hew, MLA – Member
Capt Eugene Ebanks, MLA – Member
Ms Shiona Allenger – Assistant Clerk of the Legislative Assembly

Apologies: Ms LeSanneo McLaughlin – Clerk of the Public Accounts Committee

In Attendance:

Mr Alastair Swarbrick, Auditor General – Office of the Auditor General
Mr Garnet Harrison, Deputy Auditor General – Office of the Auditor General
Mr Martin Ruben, Audit Principal of Performance Auditing – Office of the Auditor General
Mr Ronnie Dunn, Acting Accountant General – Budget and Management Unit, 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 Reports of the Auditor General:

- a) *Governance in the Cayman Islands Government: Key Messages – December 2013*
- b) *Governance in the Cayman Islands Government: Describing the Framework – December 2013*
- c) *Governance in the Cayman Islands Government: How Core Government Manages Resources – December 2013*

- d) *Governance in the Cayman Islands Government: The Accountability of Statutory Authorities and Government Companies – December 2013*
- e) *Governance in the Cayman Islands Government: A Survey of Statutory Authorities and Government Company Governance – December 2013*

2. Meeting to Order

There being a quorum present (Standing Orders 77(2) refers), the Chairman called the meeting to order at 9:06am.

3. Welcome

The Chairman gave a brief welcome to the Members of the Public Accounts Committee and the staff of the Office of the Auditor General, Treasury Department, and the Ministry of Finance and commenced the meeting with a Prayer by Capt Eugene Ebanks.

4. Reports of the Auditor General: –

- a) *Governance in the Cayman Islands Government: Key Messages – December 2013*
- b) *Governance in the Cayman Islands Government: Describing the Framework – December 2013*
- c) *Governance in the Cayman Islands Government: How Core Government Manages Resources – December 2013*
- d) *Governance in the Cayman Islands Government: The Accountability of Statutory Authorities and Government Companies – December 2013*
- e) *Governance in the Cayman Islands Government: A Survey of Statutory Authorities and Government Company Governance – December 2013*

The Auditor General made an opening statement on the above mentioned Reports. The Chairman then invited witnesses to the Chamber and asked them to state their names, the persons attending with them if any and department or organization they were representing. The Chairman then opened the floor for statements from the witnesses preceded by questions from the Public Accounts Committee Members.

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

- *Mr Franz Manderson, Deputy Governor and Head of the Civil Service – Office of the Deputy Governor*
- *Mr Peter Gough, Strategic Advisor to the Deputy Governor – Office of the Deputy Governor*
- *Mr Vinton Chinsee, Chief Financial Officer – Ministry of Home and Community Affairs*
- *Ms Lizzette Yearwood, Chief Executive Officer – Health Services Authority of the Cayman Islands*

At the conclusion of meeting with the witnesses the Chairman thanked the Members of the Committee and the staff of the Office of the Auditor General, Treasury Department and the Ministry of Finance for attending.

5. Any Other Business

There was no other business.

6. Adjournment

There being no other business the meeting was adjourned by the Chairman at 11:40am.

**OFFICIAL VERBATIM TRANSCRIPT
STANDING PUBLIC ACCOUNTS COMMITTEE
TUESDAY
16 SEPTEMBER 2014
9:00 AM
*2nd Meeting with witnesses***

**AUDITOR GENERAL'S PERFORMANCE REPORTS
ON GOVERNANCE IN THE CAYMAN ISLANDS (December 2013):**

- **KEY MESSAGES**
- **DESCRIBING THE FRAMEWORK**
- **HOW CORE GOVERNMENT MANAGES RESOURCES**
- **THE ACCOUNTABILITY OF SAGCs**
- **A SURVEY OF SAGCS GOVERNANCE**

Verbatim transcript of proceedings of the Standing Public Accounts Committee held in the Chamber of the Legislative Assembly Building on 16 September 2014 at 9:00 am.

Present: Mr. Roy McTaggart, JP, MLA – Chairman
Hon. W. McKeeva Bush, OBE, JP, MLA – Deputy Chairman
Mr. Winston Connolly, MLA – Member
Mr. Joseph Hew, MLA – Member
Capt. Eugene Ebanks, MLA – Member
Ms. Shiona Allenger – Assistant Clerk of the Legislative Assembly

Apologies: Ms. LeSanneo McLaughlin – Clerk of the Public Accounts Committee

In attendance:	Mr. Alastair Swarbrick	Auditor General, Office of the Auditor General
	Mr. Garnet Harrison	Deputy Auditor General, Office of the Auditor General
	Mr. Martin Ruben	Principal, Audit Office, Office of the Auditor General
	Mr. Ronnie Dunn	Accountant General – Budget and Management Unit, Treasury
	Hon. Franz Manderson	Deputy Governor, Head of the Civil Service
	Mr. Peter Gough	Advisor to the Deputy Governor
	Mr. Vinton Chinsee	Chief Financial Officer – Ministry of Home Affairs
	Ms. Lizette Yearwood	Chief Executive Officer – Health Services Authority
	Mr. Jonathan Tibbetts	Chairman – Health Services Authority
	Ms. Heather Boothe	Chief Financial Officer – Health Services Authority

The Chairman: Ladies and gentlemen, good morning.
I'd like to go ahead and call our meeting to order.

I'd like to invite Captain Eugene to lead us in prayer before we begin our deliberations this morning.

PRAYER

Capt. A. Eugene Ebanks: Let us pray:

Dear God we ask for your guidance this morning in our deliberations or discussions in this Meeting. We ask for your divine intervention, and we hope that whatever we do and say in this meeting may be to your liking.

We thank you for the privilege of being here and for such a beautiful day. We ask that you stay with us throughout these proceedings.

All this we ask in your name. Amen.

The Chairman: Let's go ahead and be seated.

I would like to thank everyone for being here. This morning is a continuation of the public hearings that we started back on September 3rd regarding the Auditor General's reports on governance in the Cayman Islands Government. We are examining five reports that were issued: Governance in the Cayman Islands Government—Key Messages; Description of the Framework; How Core Government Manages Resources; Accountability of SAGGs; and A Survey of SAGGs Governance.

Our first witness this morning is the Deputy Governor, and I know that he has a very tight timeframe in terms of his availability to the Committee today. So I would like, at this point in time, if we could

summon him, and his advisor, Mr. Peter Gough, to the Chamber at this time. Thank you.

[Short pause]

PORTFOLIO OF THE CIVIL SERVICE

The Chairman: Gentlemen, thank you for agreeing to be here before the Committee this morning. For the record, could I ask each of you to speak into the microphone and state your name and position?

Hon. Franz I. Manderson, Deputy Governor, Head of the Civil Service: Good morning sir, good morning members. I'm Franz Manderson, Deputy Governor and Head of the Civil Service.

Mr. Peter Gough, Advisor to the Deputy Governor: Peter Gough, Strategic Advisor to the Deputy Governor.

The Chairman: Thank you both.

Deputy Governor we know that your time is limited so we want to move straight into questioning you with regard to these reports. If members do not mind I would just like to kick it off by asking you who in the government is responsible for ensuring that the principles of good governance, as outlined in the reports of the Auditor General, are met?

Hon. Franz I. Manderson: Thank you, Mr. Chairman.

Mr. Chairman, Her Excellency the Governor has responsibility for overall good governance. I would also share in that responsibility in terms of good governance, and we would work with our elected leaders on that as well.

The Chairman: Thank you, sir.

I did note as well that, generally speaking, I think your public response to the reports indicate that you are in general agreement with the reports. But are there any areas where you disagree?

Hon. Franz I. Manderson: Yes, Mr. Chairman, we have done a significant amount of work. I know other members have outlined a number of things that we have done and at some point I would like to go into that as well.

There's one area that is . . . I wouldn't say we are totally in a disagreement with, but this area I think requires a bit of clarification. It talks about sort of a leadership in the areas of finance. And, yes, while I take the responsibility that I must hold all of our chief officers accountable for their performance, the change from giving the Financial Secretary role and sort of changing that up and having a Minister of Finance, has changed some of the responsibilities.

And while, like I said, I am in charge in the overall performance of the civil service, the lead in the

areas of finance and financial management I believe is shared with the Minister of Finance, the Financial Secretary, and I.

But perhaps the Auditor General can speak a bit more about what he means in terms of leadership in that area. But that is how I take it.

The Chairman: Auditor General.

Mr. Alastair Swarbrick, Auditor General: From the perspective of administrative accountability for the actual use of resources, I likened the Deputy Governor, as the Head of the Civil Service, to a CEO in the private sector. And that relationship ultimately always has ultimate accountability for the financial performance of the entity in generalities and in ensuring effective administration of that. Whilst obviously the roles specifically of a chief financial officer, in this case the CEO and Financial Secretary is the key principal financial individual in the organization. There has to be some sort of accountability in terms of ensuring performance of that role to the CEO in that respect. And that, from my perspective, is the clear role in terms of the Deputy Governor's role in terms of ensuring that there is clear performance in terms of financial administration and management.

Hon. W. McKeeva Bush: If . . . , sorry, Mr. Chairman, if . . .

The Chairman: Any further questions for the Deputy Governor on this issue?

[Inaudible interjection]

The Chairman: Okay. Please proceed, sir.

Hon. W. McKeeva Bush: Just want to find out what the obstacles are that the Deputy Governor found in putting in place management frameworks under the Public Service Management Law (PSML) in regard to the various findings of the audit report.

Hon. Franz I. Manderson: Thank you.

Mr. Chairman, I am not sure that there are obstacles. There are number of things that need to happen. And the good news is that it is happening.

First of all, I have found it necessary to change some of our priorities since taking office. The first thing is that we have to take the reports of our oversight bodies seriously and make sure that we provide detailed responses to the reports. And you would see that that is what we have done in the last couple of years, in that we have provided detailed management responses to the Auditor General's reports.

But not just provide the management responses, but it all comes down to making the changes, carrying through the recommendations that he has

made, and we have been doing that and, like I said, at some point I would like five minutes to just go through all of the things that we have done since this report, because it is substantial. The key, and the Auditor General alluded to this, is leadership, in that I, as the head of the civil service, have to ensure that when the Auditor General makes a recommendation that is accepted, that it is carried through.

Many times everyone says yes it is a great idea but then it does not go anywhere. So, what I have done, as part of the performance management systems that we have . . . in each chief officer's agreement there is a section there saying "compliance with our oversight bodies." And before doing their assessments I write to the Auditor General, the Complaints Commissioner, or the Information Commissioner, internal audit, to get a report from them to say whether they have any serious concerns about the way in which their recommendations are being addressed, or not being addressed. And I then hold the chief officers accountable for that.

The good news is that in this last go-round here there were only a few issues that were flagged by the oversight bodies and those have been resolved or will be resolved shortly.

So, to answer the Member's question, it is all about leadership, focus, holding people accountable, and if you do that then things will change, and, as I said, have changed.

Hon. W. McKeever Bush: Mr. Chairman, in regard to the holding to account, as he just mentioned, I guess you are talking about performance. How is that being done?

Hon. Franz I. Manderson: So we have a performance management system. When I took over as head of the civil service about—

Hon. W. McKeever Bush: Sorry, but we are not just talking about . . . Well, you would be . . . from what little I know of how it works, the chief officers are responsible to you. And below them are responsible to the chief officer. But I would imagine that you would pay attention to what happens directly below the chief officers. And if you could speak to how that relates to the total outcome, because not all of the time it is the chief officer's fault, as we all know.

Hon. Franz I. Manderson: Yes sir. And thanks for that because you are absolutely correct.

When I took over as head of the civil service, about less than 10 per cent of civil servants had a performance agreement. That has now changed to where we are at 97 per cent last year, and this year I have mandated that we are at 100 per cent.

So, what that means is that previously persons did not have a document that stated very clearly what their priorities should be, what the standards of

work should be and what they were expected to carry out, or their projects or duties that they were expected to carry out. That has now changed. That was the first thing.

We then had to focus on doing proper assessments, because having the agreement and not doing the assessment is really not going to work. So, we now have 96 or 97 per cent of the assessments that are done. And I encouraged chief officers, heads of departments, everyone, to be honest in their assessments, to have that hard conversation with employees to ensure that they understand whether it was felt that they were doing their jobs appropriately or not. We have had that hard conversation. I have met personally with chief officers and heads of departments and emphasised the importance of carrying out the performance management system effectively. That is working and we are now seeing more attention to performance, more attention to customer service in the civil service.

Is it where I want to be? No.

Will we get there? Yes.

Will it take some time? Absolutely.

Will there be some difficult hurdles to overcome? Yes, but we are going to get there.

What we are doing is carrying out the performance management system. So, my first goal was to make sure that everyone has them. We are almost there. Then we wanted to make sure that everybody was being assessed properly. We are just about there. And now what we are doing is sending in our internal auditors to look at the quality of the assessments to make sure if we are saying that number 1 is the very bottom and 5 is the very top, that we want to make sure that everyone is not getting a 5 and everyone is not getting a 1. And from the early indications of the audit, that is not true. People are being scored appropriately. So, the system is working and I am very encouraged by the progress we have made in this area.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, through you.

In terms of accountability, because I think in the last session I asked the Financial Secretary about this overall accountability in the system and Mr. Bush said that . . . and you confirmed that chief officers are accountable to you, deputy chief officers to chief officers, head of departments, et cetera. Who are you accountable to, sir, in terms of performance and you taking on . . . because in the context of what we are doing, the recommendations, going through them deciding which ones you want and then executing them, who holds the Deputy Governor accountable?

Hon. Franz I. Manderson: That's the job of Her Excellency. So, I report to her; she assesses my performance and . . . so yes, I report to her. She is my line manager.

So, if we got a report from the Auditor General there would be a discussion with the relevant chief officers and other staff; we could talk to ministers and then we would formulate a management response.

Mr. Winston C. Connolly, Jr.: And when you formulate the management response and put these things in motion, in terms of, I guess, when you are looking at the big picture, what timeframes do you normally give yourself to accomplish these things?

You know there are a number of recommendations, and I am going to slip back here for a minute. In terms of government spending on capital projects, et cetera, there was the procurement office. How long do you give yourself to get things like that in place to say that we have accomplished something and then we can take it back to either this committee to say that here is a follow-up on those responses, or we can take it to the press or other things to say that you know from recommendation to acceptance or otherwise to putting a plan in motion and setting a target date?

Can you explain that process for me so that I can understand?

Hon. Franz I. Manderson: Yes sir, thank you.

Mr. Chairman, we try to set realistic deadlines, certainly having a sense of urgency. But we have to recognise that we cannot do everything at once. And chief officers are very busy carrying out the mandates of their ministries, and so are heads of departments. I have to be aware that when they stop doing some of those things to carry out or effect some of these recommendations, that something will not get done in a timely manner. So, we are always looking to make sure that we give realistic deadlines and do not promise things that we cannot deliver on.

In looking at a recommendation here, for example, the Government will carry out . . . a recommendation that says the Government should ensure that SAGCs ownership and purchase agreements clearly establish intended results, expectations. And we have a response here as to what we would be doing with the Public Authorities Law and that we would be having our meetings in January and a report in March. And we have met those deadlines. The matter is now with the caucus.

We also talked about having a rationalization review which was to be completed in April. I think that slipped a bit to July, but that has now been done as well.

So, we try to give ourselves realistic deadlines. Do we meet them at all times? No. But we want to ensure that while we are treating the recommendations with a sense of urgency, we do not want to make promises that we cannot keep.

Mr. Winston C. Connolly, Jr.: Thank you for that, Deputy Governor.

Mr. Chairman, in the last meeting as well (and I alluded to this earlier) the Financial Secretary said that there was only basically embarrassment that came in some of these incidents for non-observance or not producing the results. And I know under the [PSML] there are certain things, but if you listen to some politicians and we just came through where it is sitting in the House now, you hear, *Well, no one ever gets fired in government. No one ever pays the price for not doing their job* (so to speak). And that is the common rhetoric out there.

Can you explain if someone is found not carrying out their duties or, you know, there are performance related issues, if they do not carry out the task that you have set as head of the civil service, what are the procedures you go through? And do you ever fire people for non-performance?

Hon. Franz I. Manderson: The answer to that question is yes, we do terminate people—unfortunately. I was notified of a termination last week. That one was for more of bad behavior. But, yes, we do terminate people.

The [Public Service Management Law] makes it very clear, section 22 for chief officers, section 42 for the rest of the civil service, that you can be terminated for significant inadequate performance. So, while there is an element of shame in not doing your job, the real mechanism, or the real punishment, is termination in accordance with the Public Service Management Law.

What that says is that if you find that someone is not performing to the standard that is set by me or by a head of department or a chief officer, you will basically put them on an improvement plan. You would give them an opportunity to improve—set targets, give them a finite period of time in which to improve. If there is no improvement then it can be extended for a bit longer . . . because you want to work with people, you want to improve them.

I've always found it much more rewarding when you can turn someone around, especially someone who you feel is trying. It is much more rewarding to turn someone around and move them from being a poor performer to a high performer than to just simply cut them off and kick them out the door.

So, I encourage civil servants, chief officers, to work with staff who are not performing to try to raise their performance. But at the end of the day if they are not performing at the right level, then we should part ways.

The Chairman: Mr. Hew.

Mr. Joseph X. Hew: Thank you.

Deputy Governor, as far as section 22 under the [PSML], have any of your chief officers raised any concerns about undue political pressure, whether it comes to do with staff or otherwise?

Hon. Franz I. Manderson: No sir.

Mr. Joseph X. Hew: And do you think that there is enough legislation or enough in the law to protect them from that sort of interference?

Hon. Franz I. Manderson: Yes sir.

The law makes it very clear that the employment dismissal of civil servants is a matter for myself as head of the civil service and Her Excellency. And if there were occasions when there was political pressure being applied, then there was a procedure where I would bring it to the attention of the minister. If that didn't work then I would consult with the Premier. And if that did not work, then the Governor would get involved. But so far we have not had to do that.

Hon. W. McKeever Bush: Have you found any time when any politician complained about pressure from his civil servants?

Hon. Franz I. Manderson: No sir.

Hon. W. McKeever Bush: Don't need to answer that one.

The Chairman: Deputy Governor, in the testimony we took on the 3rd, one of the consistent messages that I got from all of those who appeared before this Committee . . . and again I am probably paraphrasing a bit. But I think one of the consistent messages is that people do not seem to understand what these principles of good governance are, and that this report is the first time that they have seen anything really concrete. There seems to be a bit of a strong desire to have some guidance, some sort of sensitivity training to these principles and what they really mean in practice, whether it is an SAGC or government ministry or department.

How do you respond to that? And do you have any plans to ensure that this is done?

Hon. Franz I. Manderson: Yes sir; that is something that I agree with. I think it is something that we need to focus on and give it more attention. But I can say that we have already done a governance workshop and where we have focused it so far has been on board members. But, following that, we had a professor come out of the University of the West Indies and conduct the training, which was very well received. We got the vast majority of our board members trained in governance.

What has been recommended to me after that workshop was that we need to expand that to include top civil servants, HoDs and other persons involved in the management of the civil service to make sure that everyone understands good governance and what is

expected of them, and that is now being arranged as well.

Hon. W. McKeever Bush: Mr. Chairman, in regard to what the Deputy Governor just said, how do you see the various recommendations of the audit in talking about good governance? We recognise that what we now call good governance were things, some of them that we took for granted that we could do, and today it is being said, *Well, that is not good governance in international standards, so let's change the way we do business.*

So, there are several mentions here about how to do that. For instance, and just to draw members' attention to it, when I got elected in '84 and before, ministers were able to chair various authorities. That was an accepted practice. And I think every minister did. We changed that I think well after 2000 and . . . after the hurricane anyway, somewhere after that. But, certainly, it was something that was accepted.

At that time the minister was well briefed because he chaired the meeting. He knew what was going on. He could not say that he did not know, unless, of course, he wasn't at a meeting and then he still should have been briefed. But that has changed. What I have found is that there are times that you are not briefed. You are not in the know. You are a minister, you are responsible, but because you don't attend the meetings, you do not chair it, things go on and sometimes you do not know. But it is said, and the audit report comes out and paints you very black. But at the same time you really do not know.

How do you see the various recommendations being able to improve those sorts of situations? Of course, the glaring one is that you appoint people to the board who are going to brief you.

Hon. Franz I. Manderson: People that appoint a board should be carrying out the policies of the Government. It should not be working against you. So I totally agree with that. But obviously they have their good governance and fiduciary responsibilities as well. But, yes, sir, I totally agree. There has been a huge change, and in some cases, a learning curve, for civil servants and board members.

Take for example conflicts of interest. That has been a vexed issue for many, many years because persons will see an application come before them that is for a family member, for example, and they say to themselves, *Well, you know, I can remain objective and I will do the right thing.* And in 99.9 per cent cases they can do the right thing. But, of course, we know that the test for bias is not whether there is bias, but whether this is a perception.

And, of course, me sitting there looking at an application that affects a close family member, someone outside will say, *Franz can't make an unbiased decision.* And that has been a challenge for all of us to hammer into civil servants, to board members, that

the best thing to do is to just get up and leave and don't be involved in the decision at all. But most people simply take the view that, you know, *I'm honest. I have good integrity and I can make a decision that will not be bias.* Like I said, it is probably true but the perception is, is that you won't. So, that has been something I think that we have had to constantly hammer through to our staff, to board members.

There was a time, as the Leader of the Opposition said, when those things were not in the public spotlight as they are today. And we have made so many changes in the sake of good governance that it has become almost second nature to sometimes now second guess and say, *Am I doing this? Is this good governance? Should I be doing additional checks and balances?* and it can affect the timeliness of some of your decisions because you are being overly safe.

So, it has affected our operations and that maybe is the price you pay for observing good governance and I think that is the right thing to do.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, in speaking about roles and boards, there was a recent press article about a chairman of the board talking about being able to influence hiring and firing of senior executives below them.

When we were in the last [meeting] on the 3rd, the Auditor General kind of set out a good governance procedure and that was a no-no in that instance. And we spoke about board chairmen and members getting this training. How are we ensuring that they have taken the training, taken it on board and that it is in line with the procedures that, I guess, have been stated by the Auditor General and accepted by you as head of the civil service? What kind of checks and balances are there?

Hon. Franz I. Manderson: Sir, that is a deficiency at the moment. What we are doing now is creating . . . or we have been working very hard on a Public Authorities Bill. Because everyone agrees, or certainly I agree, and I know ministers agree, that there is not sufficient oversight over our SAGCs, and we need to make it very clear what the minister's responsibility is and what is the chief officer's responsibility, what is the board's responsibility and the CEO's responsibility.

The good news is that all of that is in a Public Authorities Bill. It has been drafted. We have gotten comments from the Auditor General, it has been to caucus twice and we are hoping to get it back now to Cabinet for final approval in a couple of weeks. And just to say that that Bill covers the appointment of board members, terms of board members, job descriptions, mandatory training, role definition that I just said recently, ownership agreements, board procedures, personnel management, procurement rationalisation of pay policies, and succession plans. So, all of those things in terms of governance are in the Bill.

Hon. W. McKeeva Bush: Mr. Chairman.

The Chairman: Mr. Bush.

Hon. W. McKeeva Bush: I think most of us, like you said, would like to see some . . . well, at least I say, fresh ideas about how to operate the boards as . . . well, in relation to the ministry. But if you look at the report . . . and I thought I saw that somewhere in the papers where it said we do not need more laws. I think the Auditor General is saying that all that is needed, in fact, is better implementation of the current framework.

What are the failings then? What is the difference between what you are saying and what he is saying?

And I tend to agree, Mr. Chair, that, as I said, I would like to see some fresh ideas as to how that operation takes place.

Hon. Franz I. Manderson: Yes sir. And just to clarify and go back a bit to what Mr. Connolly was saying; that we need to make it very clear on appointments, for example. So, the Leader of the Opposition will know that that is not consistent at the moment where we have Cabinet appointing some CEOs, the board appointing some CEOs. We need to standardise that because, in my opinion, the correct procedure is that the board appoints the CEO and the CEO appoints the staff, and the board holds the CEO accountable and does not get involved in the other staffing matters. I think that is the accepted good governance model.

In relation to the question of the Leader of the Opposition in terms of leadership, it is not clear now what the roles are in relation to the SAGCs in terms of what a minister can do, and should they be able to do more; should the chief officer have a bit more authority or what are the direct lines; and what powers should a chief officer have in relation to a SAGC that falls under them. So, those things are not clear.

I am not sure if there is a particular law that we can enforce better in relation to the SAGCs. Yes, there are ownership agreements and we can hold them more to account in those ownership agreements. But for the most part, I think this is one area I generally agree with what the Auditor General is saying, in that in the other areas we just need to focus on performance and leadership. And in this particular area I think we do need some additional legislation.

The Chairman: Anything else, Mr. Bush?

Hon. W. McKeeva Bush: And you are saying that because you've found, like I guess most of us have found, that the Water Authority Law is different from the Port Authority, even where there should be similarities. There are differences where we feel as a

Government that there has to be that set in law across the board. Am I right?

Hon. Franz I. Manderson: Absolutely correct, sir.

Mr. Joseph X. Hew: Mr. Chair, I would like to take it back another step. And we heard some of the frustrations from the chairmen of the authorities in our last session.

Going all the way back to a political campaign you have a party that publishes a manifesto. That government takes office so there is a manifesto that says, *This is what we want to do when we take office*.

Then annually there is a strategic policy statement which is done by caucus and by Cabinet which says, *This is what the elected Government wants to achieve for that year*.

Actually, before that, you know the Government takes office, they appoint, as you said, the boards, the chairmen or CEOs. How do you see the chief officer in this? What is his role now? How does he react to, *Okay, party A has won the elections, I have a copy of their manifesto*. They come into office, they are busy, busy, busy, they sit in caucus, sit in Cabinet, they make a decision, *Here is my SPS*, how does the strategic policy statement, how does the manifesto, how does all of that get from the elected government through the chief officer to the SAGCs?

Hon. Franz I. Manderson: Thank you, sir.

That is a good question and is something that we are continually trying to improve on. Just a few weeks ago I was talking to our Cabinet Secretary about it because normally the Cabinet Secretary takes the lead on pushing the Government's agenda. So, from his role as Cabinet Secretary he would help to push that along. And as head of the civil service I would then work with him to ensure that the Government's priorities are our priorities. And the Cabinet Secretary is doing just that, and doing a great job in ensuring that we are working to the Government's priorities. Because that is what we are all about; working to the Government's priorities.

Chief officers and I have had conversations in that what should happen is that we should be looking, with the help of the Cabinet Secretary, on a six-monthly basis to say, *Where are we with these particular priorities that the Government has set for us?* And then make sure that the SAGCs and various ministries are working to those priorities. Right now I do not believe that the chief officers have the necessary powers, authority, to make that happen as a priority for the SAGCs. Whether the chief officer or the minister should have it, it needs to be there.

So, just to say that Mr. Gough has provided me with a draft version of the Public Authorities Bill and it says that "the duty of the chief officer would be to monitor monthly the purchase and ownership agreements to ensure compliance, to ensure that re-

ports and financial statements are presented to the Legislative Assembly in the prescribed format, to ensure that the public authorities identify measured criteria to be adopted and reporting requirements to identify and deliver or non-deliver of the outcome." [UN-VERIFIED QUOTE]

I think it is very important that we give the chief officers that authority so that they can push the Government's agenda with the SAGCs.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, through you to the Deputy Governor (and this is just a quick general question), Are the Nolan Principles of good governance anywhere on the government's website?

Hon. Franz I. Manderson: Yes, they are contained in the Standards in Public Life legislation.

Mr. Winston C. Connolly, Jr.: Yes, but I mean I was kind of thinking that if they are more prominent and somebody can click on . . . I mean I use the government's website as a great resource for reports and when I am doing my research. If something is there where there is a constant reminder, you know, the chief officer or somebody can just go and click right away, here it is. You know, these kinds of memory aides would perhaps be something that could go a long way in reinforcing those sorts of principles.

My main question is (I'm thinking balance here now) . . . We hear the Auditor General's Office comes in, do the reports, they meet and speak, et cetera. What is your view on that process and how that works? Do you have an active kind of relationship with that office in terms of, you know, well a feedback . . . *Well, we think you could have done this another way*. I mean, is it all one sided? Or are there active discussions on refining that process for both sides?

To me since we pay the Auditor General's bills, it is interesting to know what that process is and how it works from the other side of the fence as well.

Hon. Franz I. Manderson: Well, thank you for that. And just to say that I think the idea of publishing the Nolan Principles is a good one that I will take forward.

I think we enjoy a good relationship with the Auditor General. The way in which they do their work is very helpful to us. We do not get these reports cold (so to speak). There is a meeting. We come in and meet. Don't necessarily like some of the things that they say, but, again, that is not the point. That is their job and we need to take their role seriously.

We get to challenge some of the things they say and many times we agree to disagree, or we accept that, yes, there are valid points that comes from the meetings. But, yes, I think the process is working well. I am very encouraged by the Auditor General and his team wanting or offering to get engaged with us earlier on in the processes, for example, major capital projects.

The Auditor General has offered his assistance to look at what we are doing with the port, sea-port, waste management, procurement, what we are doing—early on—so that we don't end up with a report five years later to say that we got it all wrong. And the Auditor General will confirm that we have reacted to that very quickly. He has already met with the relevant chief officers. And from my report, it was a very productive meeting and there would be subsequent meetings.

Prevention is better than cure. And I think the auditor general, yes, while he has a role in terms of auditing things that have already happened, the more help he can give us early on and steer us in the right direction is better. We do not want to find out that we wasted \$5 million after it happened if we can save that at the beginning. So, I think that intervention is welcome. I applaud the Auditor General and his team for the work in that area, and the relationship is good.

We will agree to disagree on many occasions, but the respect is there. And it is my job to make sure that his recommendations are viewed seriously and are properly addressed.

Mr. Winston C. Connolly, Jr.: And just again in the counterbalance I will ask the same question to the Auditor General's team.

Mr. Alastair Swarbrick, Auditor General: Thank you, Mr. Connolly.

I would say that we have a good working relationship. At the end of the day we are auditors and there is always going to be some grit in the oyster at the end of the day, and there is always going to be things we disagree on. But the point is that the reports are provided in draft form for clearance by the service to ensure their factual accuracy and to get their comments back.

The reports are amended for factual corrections and tone content depending on the feedback we get from the service. There will be areas we just agree to disagree, but we also agree to amend the reports as appropriately as well when there is appropriate evidence as well. So, that is a clear process.

To the point that Mr. Manderson is making, just to say that I think we can still continue to refine the process to ensure that it is effective. And I think from my perspective, speedier occasionally, and timely. But I think we are moving forward in terms of that sort of process.

In terms of going forward, there is a clear view across audit offices more globally and internationally is that we need to try and be a bit more . . . not more proactive. We always try to be proactive in trying to provide advice. But in terms of doing our audit work, especially in the major projects and things like that, major programmes where they are getting implemented, to be in there and do some audit work earlier so that we can provide feedback and to make sure things

don't . . . or to help guide to ensure things don't go off course in terms of the major projects and programmes. So, that's a clear trend on how we are doing it.

It increases the work from my office about providing a report and something earlier on in the process and then being seen as part of the process and whatever else. Those are some risks from our perspective, but from in terms of trying to ensure this best use of public resources, I think it is fundamentally important that we get involved at an earlier stage. A key stage is not just indiscriminately, but a key stage is in each of the major projects, for example, the port or the waste management, to do some initial audit work and provide feedback to the ministry, to the Government, about how things are going and areas for bringing back on line or whatever, in that sense. So, from my perspective I think it is an important step forward and hopefully it will provide clear support for Government in that respect.

Just to reiterate, I have met with the service in terms of the waste management, the port and the airports, so far, and there are intentions to have ongoing meetings and plans as to when we are going to try and do some initial audit work, and at what stage we are going to do that.

Mr. Winston C. Connolly, Jr.: But as of right now it is more of a practice and not set in stone.

In a perfect world, what would that procedure be every single time with every single department, with every single major project? I mean, if you had a crystal ball or a wish list and you said, *I want the civil service to come to my office and talk about these things and we would want them set in stone so that this is a policy and procedure going forward*, would that be something that would assist the process and hopefully save money in the long term?

Or is that something that you might a) not be resourced for, and b) not want to take on the risk for?

Mr. Alastair Swarbrick, Auditor General: Thanks for that last point first. It depends on how much activity is going on as well. That is the problem. I only have so much resources, and there are certain parts of my mandate that I don't have any flexibility in. So, those factors come into play.

In terms of policy and procedure, I think to a large extent this is down to my mandate and my strategic direction of the audit office in terms of how we want to go forward. You know, we are moving slightly away from the traditional role of the auditor and how some people would describe it as bayonet and the wounded [SOUNDS LIKE] come in after the fact and report all of the issues that went wrong with the hope that . . . but ultimately that holds as the intention of trying to improve things going forward.

So, this is a change. And this is a strategic choice that I am making as the Auditor General that I

think this is an important way to go, and it reflects changes in the world as well.

I think it is strategically important to ensure that we are seen to be more proactive in trying to help support the effective use of public resources and prevent, to an extent, any waste potentially going forward rather than coming after the fact once potentially millions of dollars have been wasted and say that you've wasted this and you need to do this.

So, you know, I don't want to belittle what we did because I think that it is still fundamentally important to come in and say, *This is what went wrong. These are the issues we found and this is what you need to do [going] forward to ensure that you manage resources more effectively.* But I think as well we have to come in, especially in these major projects where you can spot key points that you can actually do some audit work and . . . not just advice, some actual audit work and provide feedback to the service at that point.

I think it is important to note that we have provided advice on various things, informally and formally to parts of the service, anyway. But I think this is more of doing a formal audit work at various points before the completion of the project.

Mr. Winston C. Connolly, Jr.: And this is a slight shift, but it goes back to I think just timeliness and carrying out . . . Under the PMFL we keep hearing and we heard in the last [meeting] with the Financial Secretary that we are up to date mostly with our audits and financial reports, et cetera.

This is to the Deputy Governor: Is there any interaction with the Auditor General's Office on the quality of reports? When you put these things forward, is there critique about how they are done across the board? Are there differences in . . . we know differences in size, so obviously you know . . . well, you would want the same quality person as a CFO across the board. But you would not necessarily put the best person you have in the smallest . . . what I am trying to get to is: Do you take on critique from the Auditor General's office at the quality of those reports? And then if the quality of those reports is not up to scratch, then what are the steps to hold those CFOs responsible, get them extra training or, in some instances, say, *Well maybe you are not CFO material?* I want to get into that realm.

Hon. Franz I. Manderson: Thank you, sir. That's a good question. Yes, we do have those conversations. I have those conversations with the Auditor General. I think he will agree that we have come a long way in the last four to five years to where we were when the accounts were really in bad shape. I see now in Cabinet and the LA many more audits coming out that are clean, which is where it should be. So, we are now focusing then on . . . we've gotten the timeliness down right. We now need to focus on the quality. And that is what we have been doing.

I have talked to chief officers and made it very clear to them that if their CFO is continually producing accounts that are getting disclaimed, that that is a problem, and that we cannot allow that to continue, and to do exactly what you alluded to in your question in terms of additional training, additional support, make sure that they have the resources. But at the end of the day if that is simply not working out then, again, hard decisions to be made.

The good news is that I think that the CFO cadre that we have is competent. We have promoted two Caymanians in the last six to eight months. They are doing a fantastic job. And we will continue to do everything we can to raise the performance of our CFOs.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, I crave your indulgence one more time.

In terms of CFOs' training, and this is something I shared kind of just in the lunch room the other day with members of the Auditor General's office and I just wanted to ask you formally about this.

Is there some sort of formal introduction to the PMFL before they take on the job? And would there be any benefit being worked through something like the Auditor General's office in terms of seeing what is going to be expected from the auditing side, getting your teeth (and this is talking about capacity down the road) cut on the end result before you actually start doing your job? If you get what I am saying . . . How do you build capacity from CFOs?

In years past I know that people used to start off in internal audit and then they moved over and things like that. How do you see that working and being the best system in there?

Hon. Franz I. Manderson: Yes sir, thank you.

Where it has to start with is, first of all, getting the right people in the door. So, what I have changed, along with chief officers, is a much more comprehensive and robust recruitment exercise so that we just not having someone come in, sit down, do an interview and say, *Oh yes, they are qualified.* We identify what the competencies are that they need to perform the duties of a CFO, and then we will have a day of testing where we test them on their abilities to do the job. It is like you said; we know where we want them to be. We need to see that if they are not right there now, with coming into the door, they will get there. We need superstars. We do not need 'okay' people. In order to raise the performance of the civil service we need superstars—in particular in this area where we have not done well in the past.

So, we are looking for superstars. The good news is that we are getting them at the CFO level. We are still struggling to Caymanianise the whole cadre but we will get there soon.

The first thing is that, yes, we get the right people in with the right skillsets, with the right educa-

tional background and experience who can do the job very well. And then we look to see what support that they need. And the orientation, as you said, is critical as well. Not only do we want to give them orientation about their duties and responsibilities, we want to talk to them generally about the governance, the whole issue of procurement. All of these things that they get involved in on a daily basis we want to make sure that they are up to speed on. So, we have done a lot of work in that area and it is paying its dividends.

Mr. Winston C. Connolly, Jr.: And is the Auditor General's office involved in any of that in terms of maybe advisory and . . . because when I think of a CFO, coming from the private sector, it is somebody more than a bean counter, it's somebody more than an auditor. It is somebody who can strategically plan your organisation and each of them have their ministries and . . . And you say we're getting great people. My question would be: Are we getting those types of people who can basically take that role, own it, do a lot of the strategic type elements so that that takes the pressure off of chief officers and deputy governors and that sort of stuff that you know, yes, they have the aptitude. You induct them into your system but then they can go off and produce.

Hon. Franz I. Manderson: Yes, we are, sir. But we do not consult the Auditor General on our selection. The chief officers have the authority to employ their CFOs but they must consult with me before they get appointed. And that is similar with heads of departments as well. So, all senior appointments within government come through my office.

Yes, we are getting the good people. I think the course that is coming up which is being run by the Auditor General's office, the professional development week, is a great thing and I am making it mandatory now for a lot of our staff to attend it because it gives great seminars and presentations on that point in terms of management and the abilities that they should have as CFOs. So, it is something that I have endorsed along with the Auditor General. I think it is a great idea and I will be there for the professional development week.

Mr. Alastair Swarbrick, Auditor General: I just want to make a few points about where we are with the financial statements, and then the level in terms of where we get to in financial management.

I think . . . and obviously we recognise that there have been significant improvements and movement forward with the financial statements. But we have to be cautious in terms of how we say that because ultimately accountability is not fully restored until we get the EPS delivered in the timescales as set out in the PMFL. And that's still a challenge.

And we are still the same in terms of some of the other entities as well because we still have two

entities that have been disclaimed in the latest audit opinion, for example—two significant ones. Fundamentally, that is a complete failure for an entity to have a disclaimer of opinion.

We received the financials by the deadline and so that we are getting that aspect of timeliness done. But there is still the issue of quality which affects the timeliness of actually presenting that information to the Legislative Assembly for its use as accountability documents and also for actually making decisions with. So, there are still some significant issues in terms of that.

Now, we are obviously making progress. The numbers we get signed off within the deadline increase year on year. That is a good thing, and I think it has to be commended. But there is still a way to go to actually achieve that to a large extent that full accountability that we all crave and want from that perspective. So, lots of progress but still a way to go.

I always say the accountability is like one of the classic curve that you get; you are doing a lot of work and making a lot of improvements but you are still down there on accountability, and the last little 5 per cent you will get that sweep up in terms of getting that full accountability. So, it takes time and is still a challenge from my perspective.

Gratefully we received (good credit to the Ministry of Finance) a plan for bringing the EPS into line. And we look forward to moving that one forward in the next, I would say, year and a half in a sufficient way. But there are still challenges. And I think a lot of that is around the quality of information in terms of trying to actually get audits completed and actually finalised. Sometimes it takes a year from receiving the information and actually getting to a position where you can put an opinion on it through various issues. So, there is a struggle there.

In terms of financial management, the key issue for us is trying to raise the level to the strategic, in terms of financial management. And there's still a way to go in terms of that as well to ensure that the CFOs are able to devote the time and resources and move themselves away from dealing with day to day transactional stuff which they get caught up in because there is so much of it and because of the issues faced in the past, and that sort of stuff, to raise it up to being that strategic advisor and to be the safeguard as well, to be the gatekeeper as well for each ministry is a clear role, but also to be the strategic advisor to the chief officer on financial matters and to their minister as well so that they can provide that clear advice option and offer whatever to enable them to make decisions about implementation of policy and policy decisions as well.

Mr. Winston C. Connolly, Jr.: This may be a question for both, or it is a question for both.

Is there an overall government audit manual that everybody conforms to in terms of how the infor-

mation was presented, what the templates are? That sort of thing. Or does each department kind of do their own thing? And if there is not a manual, was there ever any kind of thought of putting that together to bring these things more in a standardised way so that you can a) get consistency; b) be able to extract the relevant information more quickly, succinctly? And is that something that has ever been considered?

Mr. Alastair Swarbrick, Auditor General: In terms of an audit manual, if you talk about a finance manual for core government in terms of their policies and procedures for producing information, there isn't a finance manual at this moment and time. And that is something that is coming through the PMFL review and that is something that needs to be developed, clearly, to ensure consistency in terms of application of policies, et cetera, across government.

A template was developed for the financial statements to ensure compliance of IPSAS [International Public Sector Accounting Standards] and that for the core government, anyway. So, that was . . .

In terms of the process around the audit, we, for example, send out a requirements list as to what documentation supports the evidence and whatever else we require for the audit. And in core government standardised schedules were developed on Excel for presentation to government. Now that was a development. That resolved some of the issues around the supporting documentation.

I am not going to say it is perfect. Nothing ever is perfect and there is stuff that needs to be developed. And it also depends on the quality of the information that the individual ministry has put into it as well, how easy that follows through to source documentation, for example. But that has been an improvement in terms of that and it has been taken forward.

Going back to the core issue about having a clear finance manual, about the policies and processes for financial management and preparation of financial statements, that is something that needs to be developed.

Hon. Franz I. Manderson: Agree.

The Chairman: If there are no further questions, then I would like to thank you, Deputy Governor, for being here this morning. Thank you for your candidness of your testimony and do you have parting comments for this Committee?

Hon. Franz I. Manderson: Yes, just in closing I want to say that we have done a significant amount of work following the publication of these reports. You would have heard me say that we have developed a Public Authorities Bill that is going to Cabinet shortly. We have trained civil servants in policy development, over

200. That was a recommendation of the Auditor General.

We are moving forward with our director of procurement office. That recruitment is going on right now. We are in the process of setting up a centre of excellence for major capital projects where we will have a senior project manager with some project managers to oversee, for example, these major capital projects that we are doing because the Auditor General has made it very clear, and we accept, that we cannot ask the chief officer or ministry staff to manage these kinds of projects. We have seen where that model has failed. So, we are now setting up a major projects office that will basically oversee these major capital projects. That is ongoing and being finalised. We are recruiting someone to head that office at the moment. And we have already brought in at least one of the project managers in the Ministry of Health. So, that is ongoing.

We have done an orientation programme for our new Government which was suggested by the Auditor General. We have trained, like I said, many civil servants in areas of policy. We have the review of the Finance Law which you, Mr. Chairman, are dealing with. So, there are so many actions that we have taken in order to address the concerns raised by the Auditor General.

We are driving home performance management. We are holding people accountable. The Auditor General has stated that he has seen a dramatic improvement in the quality of our work. We want that to continue. There will probably be a few more painful reports before we get there, but we will get there. We will produce our consolidated accounts.

So, really, sir, I am excited about the way in which the civil service is operating at the moment in relation to these matters.

Are we perfect? No.

Will we ever be perfect? No. But we are certainly much, much better off today than we were a few years ago in terms of the overall performance and compliance with the Auditor General's reports.

This has not happened by itself, and I want to thank the Auditor General and his team for bringing these matters to our attention, for their constructive approach, and to thank chief officers, HoDs for giving this work a priority.

Mr. Gough and other persons have been heavily involved in the Public Authorities Bill. And I want to publicly thank Dr. Gelia and Mr. Adam, from the Turtle Farm, for the work that they have done on that. It has been tremendous. And I want to thank Mr. Moxam from the Chamber of Commerce for the work he has done on the Public Authorities Bill. I think when that comes to the Legislative Assembly people will be pleased to see the work that we have done in that area.

So, sir, in closing, I want to thank you and the members for your questions. It has given me an op-

portunity to come here and appear before you. I think you will be satisfied that the civil service is doing its work and has taken the reports from the Auditor General seriously. Thank you.

The Chairman: Thank you very much sir. And again, thank you for your testimony this morning. You are excused.

The Committee would like to call its next witness, Mr. Vinton Chinsee.

Okay.

We will break for five minutes.

Proceedings suspended at 10:23 am

Proceedings resumed at 10:29 am

The Chairman: Proceedings are now resumed.

For the sake of good order, Mr. Chinsee, first of all welcome to the Public Accounts Committee. Please state your name and title.

MINISTRY OF HOME AFFAIRS

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Vinton Chinsee, Chief financial Officer for the Ministry of Home Affairs.

The Chairman: Thank you sir.

Mr. Chinsee, I will start things off by just simply asking if you could describe what you believe is your role as a chief financial officer in regard to ensuring that the principles of good governance described in the Auditor General's Report are being adhered to?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Yes sir.

On the first thing, as Mr. Connolly pointed out earlier, a chief financial officer's role is not a bean counter.

The Chairman: I don't think you have your microphone on. There should be a light when you. . .

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Yes, it is not merely a bean counter. You play a very strategic role in guiding the entire organisation.

Effectively, you become the right hand of any senior manager in the organisation, and it is sort of like also a gatekeeper position. You have to be the one who oftentimes puts certain framework and policies in place to guide the organisation to make sure that there is good governance, say, you have value for money and proper ethics and code of conduct is adhered to in all of the organisation's financial and operational matters.

For example, just because there is no procurement law in place, does not mean that you should

not have a policy relating to how procurement is done in your organisation, and that is properly communicated to all persons involved. This does not happen overnight. Each organisation is different as we appreciate. But you have to sit and strategise as to what is needed for the particular organisation, find out what are the greatest needs first. There is more need than you can actually satisfy but there are some more critical than others and you whittle it down from time to time.

An example, eight years ago we had problems with travel, for instance, in what was then the Portfolio of Internal and External Affairs. We had a large amount of outstanding advances, et cetera. One of the first things you should do as a CFO is to recognise that this is a problem on seeing it, and put policies in place to address it, put in a framework, communicate it to everyone and make sure everybody is trained up.

You also have to work on building capacity. We do have a capacity problem. We can only hide our heads in the sand and believe that everybody is up to scratch. But that is not necessarily the case. You have to sit down and plan what capacity is needed to deliver the results, deliver the financial reports and train and coach people into what is required. And hopefully you have a very supportive management team that will work with you in doing that.

So, it is not simply collecting information, putting numbers together and putting in a bunch of spread sheets and reports forward. Anybody can do that once you have the technical training. But a CFO is a bit more than that, sir.

The Chairman: Just following through that, because I think you alluded to some of them, but what are the biggest challenges you face as a CFO within the organisation which you work, in complying and ensuring that the principles of good governance are being implemented and adhered to?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: One of the biggest things is accountability, sir. The organisation has to have the culture of making people accountable. And this goes back, not to just drafting performance agreements and performance appraisals, but to actually follow through and instill that.

To make somebody accountable there are several things needed, one of which is not only the responsibility to do something, but you also have to give them the resources necessary to do it. So, if you are having somebody accounting for their staff and then you are telling them, *Okay, don't hire the staff you need, hire somebody who does not have the skill-set or a group of people . . .* for instance, social employment.

I remember it used to be \$1,500 to change a lock when Public Works was doing social [INAUDI-

BLE]. One should recognise the social employment and deal with it. But you also have to give them the authority over those resources. We do have problems with that at times in terms of chief officers, department heads and senior managers being able to take decisions and do what is necessary to get the job done.

The Chairman: Mr. Connolly.

Mr. Winston C. Connolly, Jr.: Thank you, Mr. Chairman, through you to Mr. Chinsee.

Going back to the culture of accountability and the organisation has to recognise and follow through and carry that out. In your interactions with the political arm and the civil service arm (that is, the Deputy Governor being your ultimate line manager, I guess if you are not counting the Governor), how does that role work in allowing you to accomplish what you see as the job that you have just described?

Are there times when . . . and you do not have to say which if there are, but are there times when those different entities do not co-exist the way that they are supposed to? And how do those things inhibit you from carrying out that function? I am leading the question. I am not trying to get to you—

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: I understand what you asking.

That is a problem. The major difference is that as a CFO you have to actually recognise that and you actually have to have the capability and the skill sets to work with that scenario.

Between, the Deputy Governor, the political directorate, Cabinet, MLAs, and the Governor, there are oftentimes conflicts or different views as to where you should go with particular decisions or scenarios. Generally, they will all converge on the global perspective of what is Cayman's best interest. But there are differences.

You have to be able to build confidence with whoever you are working with, whether it is the Deputy Governor, in that you are an advisor and that they should take heed, if necessary, as well as the Governor if necessary. The Governor used to be part of our portfolio at one point in management of the office. And the politicians . . . in our case our Minister is the Premier. The best way to deal with that is to actually be open, frank, put all the implications on the table and make sure that whatever direction is taken, some resolution and some communication as to where we are all going with it.

It is not always an easy thing to deal with because some ministers can be very strong and adamant on what they want. But I find very often it is because they may not have all of the information. So, the first thing that needs to be done is to get them all of the information. And this is why it is also important to have reporting in a very timely and concise manner. You need to make sure that all parties that are party

to a decision have the information and, if possible, the same information.

We do have a problem with that. Sometimes our information is late. Sometimes it is only a fraction and it leads to bad decisions, or I would say conflicting decisions. And it is something that actually concerns all of us. And I know it is a concern of the auditors that the information necessary for the correct decisions to be made is not necessarily flowing freely or flowing in a timely manner. It is something that we have to address. We do have weaknesses in the reporting system; significant ones. I used to be in the private sector and we used to have better reporting systems.

I know the current acting Accountant General is working on resolving that, but he is constrained by resources as well. And I am not talking just budgetary resources; that is one thing. He is constrained by hands he has on deck and the capabilities of the people he has right now, because their skill sets might be dated in that type of technology. In that case, he has to look to outsourcing.

Unfortunately, when it comes to budget, on the first year that cut is in professional services, which is where your outsourcing is done, followed by training which is where you build your internal capacity. So, we struggle to get certain things done, which should be a normal practicing business. And then you end up with the few good people being stretched to ineffectiveness, because they have so many things to do after participating in so many different activities that they cannot focus and effectively solve or deal with one problem. So, we overuse the good resources, burn them out, and do not deal with the problem from a strategic perspective. And we need to address it from a strategic perspective.

Part of the difference in information between people is . . . and I really should not say this . . . we look too short of a term in terms of where we want to go, instead of more of an impact and then align everything towards that impact. It is always about, *Oh, what's best for the next year or the next six months or the next two years*. We need to look a bit beyond that and then let everything align along the way. When you set up a business you don't really expect to make a whopping profit in the first five years. But you put everything in place that you need to have in place so that when you reach the cash-cow situation you can milk it effectively. We just never reach there.

These are just my opinions, eh.

Mr. Winston C. Connolly, Jr.: Absolutely! I mean for me it is interesting as well to get the CFO's perspective on where they fit in, in this kind of equation, because again we understand that in a perfect world we would have more resources, we would have all the bells and whistles.

In my opinion . . . I'll give you my opinion, which everyone has one, and some are more relevant than others. But I think that going back to a central-

ised system and cutting off some fat (so to speak) could do well for government. And I am saying that in a very simplistic term.

Taking what you have said into account and the dynamics of the role and how it fits in with the overall plan of government (and this is where the question is coming from), do you as a CFO know where Government is going? Has that been communicated to you? And would that help you in your strategic decisions and your roles and responsibilities?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Normally we get the broad Government or political perspective, which is fully communicated through various means—the media, at sessions that we may have, et cetera. But what is often missing is the link between that and the actual planning for what you are going to deliver. And you have some people who may say it is there but is it really there when you come out and say, *Okay, this is it, you have one week now to produce an operation or a situation to match it.* It is not feasible. It takes a bit more time than that to plan your resources, have a strategic or rational look at things.

Very often we get an SPS that comes out and usually . . . more recent times than others you know about what is in the SPS after it is actually passed. You say, *Okay, here is your budget* and you get one line that says you have \$5 million, not much else to it. That is not very strategic in my opinion. It needs a little bit more than that. And then now you have to operationalise that.

With our strategic position too we also very often come up with a position of, say, October/November, and then it is totally forgotten about until March, maybe end of the year. Normally, in a private sector organisation you would have a strategic position and then you would sort of permeate that through the organisation, down to the lowest round. And you would constantly beat the drum and at the end of the day everyone would come out singing the same song continuously.

It is like when you are doing arithmetic in school back in the day where you do your timetables every morning and you would come out and at some point in time it is the only thing you know. You know that is where we are all going and everybody has the same song. I think we are missing a bit of that, and we could have more.

As to centralisation, you need to be careful there. I think the best approach is a hybrid, because, remember, we moved from centralisation because we had certain problems. The thing is that we have had enough of an accounting generation now, that people have forgotten what those problems were. They will come back to haunt you when you go back. It is like a pendulum; the first swing you go the highest and then you swing back and keep swinging back and forth until you come to resonance. We need to watch the

swing and be careful because you also introduce . . . we already complain about bureaucracy. Check a centralised environment. That is bureaucracy ultimate.

And if you think you have kings and queens now, when you have that scenario you develop quite a few empires. So, it should be tempered in the way you do it. And I don't think the auditors are suggesting that we go to a pure centralised environment. But there are some services that actually can benefit from centralisation. I will give an instance.

In our ministry we have centralised certain types of procurement to distinct advantage. It does not mean that the departments that are actually benefiting are not involved. They are fully involved. They are the ones that determine the needs. It is just that we consolidate and make a leverage position when we procure, and we have a full procurement policy which we actually publish to all departments and even put on our website as to "this is the procurement policy of the ministry. This is what you should follow." And we train people on it.

We have been able to cut significant costs by doing that. But does that mean that we are going to centralise the procurement of pencils? The benefit you will get . . . the cost of administration will vastly outpace that benefit. So, it is a hybrid situation. You have to have your limits. You have certain things that are more critical that you can yield benefits from. There are some things that centralising will not yield you the benefit you think. Actually it might add cost.

Well, I will do it interagency but that was a classic example. You strip it out and what happens, the cost of those services rise.

The Chairman: Mr. Chinsee, in little over a year that I have been here in the Legislative Assembly, we have seen a number of audited financial statements tabled. One thing I have yet to ever see from a core government entity is an annual report that is required by the PMFL.

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Agreed.

The Chairman: Why is that? What precludes core government entities that are reporting to the LA from including an annual report?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Sir, an annual report is what should be done. To be honest, nobody really cares about what your balance sheet says, or your PNL says, as much as that is a detail, rather than what the management says is supposed to be our core value, where we are going, what we are trying to achieve, what we have actually accomplished. And these are the things that go into the section of an annual report.

When you get an annual report for Microsoft, you are more interested in the new products that they

are coming with and how they are going to go with their marketing, how they are going to grow the organisation, as opposed to . . . you want to know, yes, the bottom line, profit and loss; that you are making a profit. But as to the structure of your balance sheet, you are a little bit on the leverage, et cetera, but the fine details are less important than where they are going with their products.

In government we have a history of just putting our financial statements, which, personally, I think is a weakness. You lose an opportunity to market and get people on the same . . . or even to spark the discussion. One of the reasons why I think we have not been doing it is because of management. And I am not talking about the accountants here, because that section is actually never really done by accountants, they just compile it in the report. The management does not have the culture of actually doing that. And some may not be aware that it is something that we should do and that it is useful. I don't know. But I have not seen it in as a routine thing in the Cayman Islands.

When I was in the private sector, when we produced those board reports, that section better be there. If that section is not there you are going home the third week of the month because you had to have them to the board members by the second week of the following month and you needed that section in the reports.

The Chairman: Just to follow through with that a bit more, do you know whether the timely production of these reports, such as an annual report, is a part of your performance agreements with the Deputy Governor? I am not sure at this point. I would have to go back and look where the responsibility ultimately lies, whether it is the chief officer or the CFO who would prepare the report.

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: That would have to be the chief officer.

The Chairman: Okay.

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: I'm not sure if it is in their performance agreements now. Maybe Mr. Gough could probably . . . he would have to check but, yes.

The Chairman: Okay.

Mr. Alasitair Swarbrick: From our perspective, the chief officers are responsible for production of the annual report, and ultimately the accountants as well actually.

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Ultimately.

[Inaudible interjection]

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Yes, the buck stops there.

This is where I talk about making somebody accountable . . . if your CFO is not performing you should actually have the authority to get a CFO who is performing. Or how can you make them accountable if they do not have control over the resources?

Mr. Winston C. Connolly, Jr.: In terms of how we manage the systems in government, when we look at the legislative framework it sets out a roadmap that talks about the management of outcomes and results. Yet, when we look at what happens in practice it is focusing on managing activities and outputs, right? Why has that framework not been developed that is required by the legislation to put those things in place?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: You can't manage by legislation. You can set up a framework and the policy, et cetera. A critical thing that is missing, as I mentioned before, is that link between what is the strategic and the operational where the activity is driven. So, yes, we do a lot of activities; but to what results? And those results must match into a strategic framework as to where we are going.

You don't need to change the PMFL to do something. There is a misconception that if it is not in the law you can't do it. That is not true. If it is a good thing to do and it is good governance you should do it.

We do not effectively manage at what should be delivered and that links to the strategic outcomes that we are trying to achieve. And I think that is a weakness in strategic planning and operationalising the strategic performance. That must be tied through to some performance mechanism in government. We do not really have an effective one except the pat on the back.

In my experience the pat on the back works but it works in the short term. I don't know what can be done at this stage. I don't have a solution for that problem. But we need to look beyond the activity because we spend a lot of money doing things that really do not generate any meaningful outcome to the people of the Cayman Islands, and we need to stop doing that. We do things just because . . . or, we have always done it this way. But is it relevant now? The most common answer I get when asking, *Why are we doing this?* is, *We have always done it.* That is not a good reason to continue to do something.

Change management is an issue. There are just some people who don't like change. But in this type of world, government is not immune. It is not a more global place. Whether or not we want to believe that government is a monopoly, it is only a monopoly in the Cayman Islands. It is not a monopoly worldwide

and, as we have seen, especially with services which we are predominantly in, people can switch location anywhere in the world, as simply as changing an IP [Internet Protocol] address from your webserver. You do not need to be physically domiciled here to perform financial services or things like that.

And very often we forget that in this small space we need to be more customer-focused and things like that. And I think that is one of the big things that are missing. We don't deal with customers of the government as *customers*; we deal with them very often as people who have no choice but to deal with us, and it does hurt in the long run. It does . . . it at least gets people in the frame of mind that, *Listen, I don't want to deal with government, they are all problem people and they should all go away.*

We need to change some of the culture where that is concerned.

Mr. Winston C. Connolly, Jr.: Amen.

In terms of the financial statements and the IPSAS [International Public Sector Accounting Standards] compliance, what do you believe that each ministry should be doing to prepare them to the standards set out by international public service criteria? Because, if you listened to the Auditor General before, we are getting there, we are moving there, but there is still improvement. What can the system do to get better quicker and to get up to scratch quicker?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: It is about capacity, sir. And I don't necessarily mean more people. I am not actually suggesting more people. It is actually . . . you have to mentor, coach and build the people you have and put in mechanisms for them to actually understand what is required. I don't think most people really understand what is required of the standards.

And it is pretty principle based. You don't have to know these standards verbatim, you just have to understand a few basic principles and be able to research them. But that means that somebody has to make a decision and somebody has to analyse. And you can actually . . .

What we did in the Ministry of Home Affairs is put a lot of emphasis on training, building capacity with the staff, and that is not sending them off to an accounting course or something like that. You also need a mentor to coach them and guide them and whenever they have an issue that they need to deal with you can actually answer it. But I do not think we put enough emphasis on developing our own local resources to understand the standards and do them.

The PD week once a year is a great thing. Whereas it updates you as to what is coming and what some issues are that you have to deal with, it does not (let's say) coach it in the environment. This is an ongoing thing. And it is not something that can

happen overnight. You have to gradually build the capacity to do this.

We have come a long way. I mean when I came here six years ago it was really . . . as far as I was concerned, an absolute disaster. And to be honest, they didn't tell me that was how it was before I came. I was sort of ambushed. And when I saw it I was actually shocked. And the first thing I did was I said, *Listen* (Mr. Ebanks was the chief officer at the time, effectively deputy chief secretary), *we have to plan our way out of this. How are we going to tackle this problem?* And this is not a problem that you can solve overnight. But we have come far enough to be able to do that.

And there is no reason why we cannot meet the standards in the medium term. I mean the standards are the standards. We need some standards so that we can compare and everybody is on the foot and that we do not have people window dressing to their own specific needs, et cetera. And this is why there are generally accounting standards throughout the world and, as you know, [INAUDIBLE]

Whether it is IPSAS [International Public Sector Accounting Standards], IFRS [International Financial Reporting Standards], UK GAAP [Generally Accepted Accounting Practice], they all have the same fundamental reporting principles which makes comparable. And if you really want to get to the details you know where the differences are. And there are few, really; and some of them are not even material. But we need to build capacity, sir.

Mr. Winston C. Connolly, Jr.: Would it help for accountability purposes if each ministry had to prepare and table their own financial statements in the House . . . I mean before the . . . well, I guess in the House, meaning ultimate accountability. If you know that on X date you have to prepare and table your reports and it counted towards your performance management and your accountability to the system and that this was the date that you had, do you think that would cure some of these late reports or the different things there? I mean, what's your view?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: It would by reprioritising certain things. Remember chief officers as senior managers, prioritise based on (to use an analogy) the loudest screaming child. And if the loudest screaming child at this point is to get a budget out, that falls by-the-way. I do notice that there is a correlation between a statutory deadline that affects your performance and actually delivering something. It would help, but it would have to be reasonable or else it will fall away as a nuisance objective. Everybody gets the same mark so it does not matter. We are all bundled together.

Right now there is no reason why it is not tabled. Well, actually I think the law requires that we table it by a certain time and actually table it in the

House. So, it is there, but just because it is tied to their performance this might be the issue. So, it is all about accountability and a performance based requirement.

Mr. Winston C. Connolly, Jr.: Then why have we come from a system where they were repeated late and no one got slapped on the—

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Performance. It is not tied into performance agreement.

It is now. And actually in our ministry we have also started to tie some of those financial performance objectives into the performance agreement of the senior managers. Because, one of the difficulties I can appreciate the Ministry of Finance has, as well as we have been having, is when you are trying to produce your accounts by a statutory deadline at the end of the year and you say to a department, *Well, I need these fixed assets counted by this time*. It will not be the priority if there is something else that they deem to have higher priority, especially if it is not in their performance agreements.

So, we have included some of those to make sure that they recognise the importance of it.

Mr. Winston C. Connolly, Jr.: Thank you, Mr. Chinsee:

In terms of your role as CFO, do you think that you are given appropriate guidance in terms of what you are accountable for, what you have to deliver, how you have to deliver these programmes with regard for value for money in achieving good outcomes? Or do you think that because of your experience and your skillset that you sort of—

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: Assume it.

Mr. Winston C. Connolly, Jr.: Yes, assume it and play it as it goes along.

This goes back to the legislation aspect of it, and we don't really need to legislate for good governance practices. But if (and I am just going to use you here because you're in the room) you are a good CFO and somebody else is not as good or as competent and somebody else is even less competent, how do we get the value for money?

How do we get CFOs at least doing the minimum required for that job—not the added value, not everything else—by just leaving them up to their own devices based on their own strengths and weaknesses and their own vision? I guess I am asking a very broad-based question, as I normally do, but it's . . . I'm concerned in terms of public money being spent and getting the most bang for the buck and ensuring that we get the most bang for the buck.

In my mind that would be, *Here is your role, here are your responsibilities and here is the added value that we expect from you just because you are a CFO. Here is what we want delivered, here is the timeframe we want it delivered in. And at the end of the day when you do this job and hopefully do it well, here are the rewards*. Is that complete package being communicated to you, being expected of you and then having you being held accountable to the people of the Cayman Islands through those various . . . Deputy Governor, et cetera, stops and checks? And when I say you I mean CFOs.

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: I know.

Technically the CFO role is actually defined. First thing when a CFO is employed is that there is a job description. There is what is required. Some things are seated in the PMFL. The first thing I was given to read when I joined was a copy of the PMFL and I had to read it cover to cover to understand how things work.

But any manager or employee . . . you have to assume certain responsibilities of the role. And more often than not there are times when you assume the duties from a principle base that, *Listen, okay we have . . . it's my duty to manage that process or to assume that role*. You may take on additional stuff. I would argue that for most CFOs only about 30 per cent of your actual role is really accounting. Most of the other stuff is management and dealing with staff, et cetera.

It always helps if roles are more clearly defined and people have a broad understanding. I am not sure that all CFOs are fully conversant with their role. I am not in their shoe to tell. I do know . . . I understand what my role is within my ministry because we have a very tight knit team and we understand each other's role. I can't speak to the other ministries or other organisations from that perspective. But it is not difficult in my mind to tell what my role is or to assume what my role is.

Sometimes there are things that straddle many roles. Any of the five managers that we have can do them. But then you may say, *Okay I might have a little slack next week; I will take that task on*. And we do have regular management meetings where we actually share up what is more of what you would probably call 'communal work'. But in terms of pigeonholing a role, some people take that the wrong way and say, *Okay, if it is not on this list I am not supposed to do it*. That's the bad approach. Unfortunately, you do get some people who actually do that—it's *not on the list so it is not my job*. I do not look at it that way and most people I work with in my organisation do not look at it that way, but I can see where some people do that. I've seen it happen.

Mr. Winston C. Connolly, Jr.: Can you describe your role vis-à-vis the SAGCs? As a CFO what is your kind

of interaction in the Ministry of Home Affairs with SAGCs and the like?

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: In terms of the SAGCs from Home Affairs, most of them are suppliers to us. But we do have an SAGC. And as Internal and External Affairs we also had an SAGC.

Most of the role comes with interacting with them from budget, reporting, and sometimes policy. Sometimes there are directives that affect all of government. You will communicate to them; have interaction with them on how we are going to do this together. It depends on how coupled that SAGC is with your organisation.

I would assume that, for example, in tourism, the airport and Cayman Airways would be more closely knitted with the Ministry of Tourism. However, we have, like the National Drug Council. We work very closely with them to achieve the rehabilitation component of our targets, et cetera. But in our Ministry we do not have very many SAGCs. We only have one and they are very efficient at doing what they are doing. We require them to report to us on a quarterly basis what they have actually done, what they have accomplished and what they spend before we actually pay them for anything. So, in respect of SAGCs, just like how we have to report to get funded, they have to report to get funded and they have to perform based on what we require.

Not all SAGCs get direct funding from government. Those are a little bit more difficult to control. And it is fortunate that we don't have any of those.

Mr. Winston C. Connolly, Jr.: My only other question, if no one else has, is in terms of the Public Accounts Committee and our recommendations, and I guess that would be an addition to the recommendations by the Auditor General in these reports, what could we do as a committee to help you address any of the significant shortcomings identified in his report, vis-à-vis the things accepted by the civil service as things to take forward?

We touched on resources before and that is obviously an obvious answer, but other things in terms of recommendations by this committee that . . . you might not have any but I just thought I would throw it out there just to see how we can help with the process.

Mr. Vinton Chinsee, Chief Financial Officer, Ministry of Home Affairs: The Public Accounts Committee, being Members of the Legislative Assembly, has a closer tie with Cabinet and the Legislative Assembly as a whole. The best benefit is the influence there in terms of what needs to be done in terms of . . . for example, we talk about strategic guidelines. The Public Accounts Committee, the members themselves actually have the capability to influence their peers. I

think that is the best way that I can think of for right now off the bat that it can help. As well as follow-ups and some of the things, recommendations that are made throughout these reports and from the PAC itself. It is communication mostly.

The Chairman: Any other questions for this witness?

Mr. Chinsee, all that remains for me to do is to thank you for your testimony here this morning. I truly appreciate the candid way in which you have answered the questions, and I want to thank you once again for appearing. You are excused. Thank you, sir.

[witness departs]

HEALTH SERVICES AUTHORITY

The Chairman: The Committee would like now to call the final witnesses to appear before us this morning. That would be Ms. Lizette Yearwood who is the CEO of the Health Services Authority, and she is accompanied by Mr. Jonathan Tibbetts, who is Chairman of the HSA, and Ms. Heather Boothe, the CFO.

[Short pause as witnesses enter]

The Chairman: Thank you all for attending this Public Accounts Committee. For the record, would each of you please speak into the microphone and state your name and position.

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: Mr. Chairman, Lizette Yearwood, Chief Executive Officer of the Health Services Authority.

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: Mr. Chairman, Jonathan Tibbetts, Chairman of the HSA.

Ms. Heather Boothe, Chief Financial Officer, Health Services Authority: Heather Boothe, Chief Financial Officer.

The Chairman: Thank you all for attending this morning.

Members of the Committee I will open this up for you to question these witnesses. I would just like to mention though that Captain Eugene has said that he needs to leave by midday. That means we will no longer be quorate so we will want to try and wrap up this testimony by twelve o'clock. Thank you.

Go ahead, sir.

Mr. Winston C. Connolly, Jr.: Thank you, Mr. Chairman.

I guess this is for Ms. Yearwood. In the Auditor General's report, the survey of Statutory Authority and Government Company governance, you re-

sponded to that survey . . . well, there was a response to the survey, and we talked about good governance and specific actions that needed to be taken after that. How has that affected the HSA and what has been taken on board after that report and the response to that report specifically by the HSA?

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: Mr. Chairman, following that questionnaire we had basically a new board, and there have been other members that have been changed over from that time. So, from the very inception of the board we ensured that the board understood the Health Services Law and they are properly oriented to the organisation. So, from that aspect the board members all disclosed any personal interests and they understand what their role and remit is within the organisation.

The board chairman also assigns various members with specific skill sets to a subcommittee. And each one of the subcommittees has specific terms of reference so they understand what the remit of that subcommittee is and how that subcommittee reports into the board, and the board will then give me as the CEO various directives to carry out.

So, in essence, to kind of summarise, what has come out of that is to ensure that there are clear lines of accountability from the board to the management.

One of the other things we do on an annual basis as well is to sit with the board and management and other stakeholders to look at our strategic plan. So, we look at the strategic plan and determine what revisions need to be made for the upcoming year in preparation for the budget process. So, that process then is carried out and the board then gives specific directives as to what they want from a policy directive and then the senior managers with the other stakeholders will sit and put together action plans. Those action plans with those specific objectives are then cascaded down throughout the organisation. So, each of those actions steps are assignable to a senior manager and then that senior manager obviously has staff under them that will help them carry out the actions steps that are assigned for that year.

Next, there is an implementation plan and that implementation plan is rolled up in our budget process in the ownership agreement. So, those would be specific objectives that we are tasked to achieve for that year. Now, having said that, there are things that happen during the course of the year that might change what is achieved during the year and then those explanations are given at the end of the year to determine whether or not we have achieved all of the objectives and if some of those objectives have to be carried over to another year.

For example, if there are no financial resources then that would be carried over. Or maybe, you know, something happened during the course of

the year that required us to take another action item in accordance with the board. So, that then is updated at the end of the year.

So, in essence, even though there are some changes there are clear lines of accountability all the way from the Ministry giving broad strategic objectives to the board. The board then gives those objectives to myself and then those objectives cascade down throughout the organisation.

The Chairman: Ms. Yearwood, one of the pieces of evidence we heard this morning, I think from the Deputy Governor, is that government is in the process of drafting a Public Authorities Law. Do you support the creation of this legislation? And what would you hope to gain from it as CEO of a statutory authority?

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: Mr. Chairman, I welcome a Public Authorities Law because it will assist us in ensuring there is uniformity between the statutory authorities, because there are differences in the legislation of government statutory authorities. In so doing there is difference in the way that the statutory authorities carry out their operations. So, from a uniformity perspective I think it would be very helpful as long as the law has taken into consideration all the unique aspects of each one of the authorities that the law will guide.

The Chairman: Mr. Tibbetts if I could ask you: In your role as Chair of the Authority, what do you perceive as your role in ensuring that the principles of good governance are implemented throughout the Authority?

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: One of the key roles of the board is to make sure that the directives or broad objectives from the Ministry get passed on to the senior management of the HSA.

One of the ways we make sure that as a board we are competent in the running of the Authority is to make sure each of the members are specialised or have expertise in their particular field. For example, doctors on the clinical subcommittee, auditors and accountants on the finance and audit committees, HR specialists in HR, and so forth. So, we make sure that each particular subcommittee that is a subset of the board is operated by or coordinated and conducted by a specialised person in their field.

In so doing we end up with a skillset that makes sure that there are checks and balances in place and any particular senior manager that sits on those boards can also bounce ideas or suggestions off of the chair of the subcommittee who specialises in that area.

The Chairman: Something you mentioned just piqued my interest and . . . clearly you indicated to me that

you have a number of subcommittees of your board to deal . . . like an audit committee or whatever other committees you have, it sounds like it was about three of them you named there. I haven't heard other SAGCs talk about that. Is that something that you developed in your role as Chair? Or is it a practice and procedure that you found while you went there?

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: The procedure was there prior to me getting there. We have certainly tried to strengthen it and make sure that each subcommittee chair is professional in their field. They are qualified duly and certainly have experience. So, it is something that was there in place. If I am not mistaken it is in the law for HSA as well, or the policies for the HSA to have the subcommittees with audit committee, finance subcommittee. We have an IT subcommittee, a clinical subcommittee and HR subcommittee as well. So we try to cover base on the board as well the different areas.

The Chairman: And do these committees operate with clearly defined roles and responsibility and reporting guidelines?

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: Yes. They all have a term of reference and reporting sessions and so forth, back to the board from each of the subcommittees.

One thing I would like to point out is that each subcommittee is not run by one board member. For example, there are at least two board members on each subcommittee. So, there is continuity. There are different perspectives that can be gleaned from having other personnel or other board members on those committees. So, it is a very fair way of operating a subcommittee so that there is not one person dominating the entire subcommittee.

The Chairman: Thank you.

Mr. Winston C. Connolly, Jr.: Mr. Chairman, through you to the Chairman of the Board. We have seen the Auditor General's framework for good governance and the setting out of best practice. Are there any things in there that you would challenge or . . . based on the practicality of what you do and how you have to perform it, are there any things in there that you would say, *Well, yes, this is here, but in practice this is how we have dealt with it and this is how we deal with it and we might agree to disagree with those?* Or are most of those things that you do now and you can improve on based on those guidelines?

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: Mr. Chairman, I must say that overall the organisation is run fairly efficiently through the guidelines that have been put in place. Not to say that we

can't improve or that there aren't areas that we look into on a regular basis. We have a strategic plan meeting coming up this weekend to look at areas where we can improve. We would certainly be happy to report back any areas where we think the board is able to govern better.

But you know we have also been through some training. I don't remember if the Auditor General was responsible for establishing that or government or who, but there was training for the boards in governance of the statutory authorities held back in November 2013. So, overall I would say that we do follow the practices laid out there. And as a board we will certainly identify if there are areas that we may need to tweak as you suggested, to make it more efficient.

The Chairman: Do you have another question, Mr. Connolly?

[No audible answer]

The Chairman: I just want to ask a favour of you if you could because I am really interested in what you are telling me about the way you have done your subcommittees, because I think it is an example of good governance. Could I ask you if you could provide this committee with copies of the terms of reference for your subcommittees?

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: Certainly, we can do that and it also lays out the makeup of the committee so that you understand why each person sits on the committee. It is not a—

The Chairman: I think that would really be helpful.

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: We certainly can do that for you. sir.

The Chairman: And I think it is a good example of best practice.

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: Thank you.

The Chairman: Thank you.

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: Mr. Chairman, if I may add, I think the subcommittees also ensure that the board operates in a most efficient manner possible, because you have the expertise at those subcommittee levels. So, if there is a matter that is brought forward by senior management, for example, the subcommittees can really deep dive into it at that smaller level. And then if there is a recommendation that they support, that is a recommendation that is taken then to the board for ratification, rather than the board be-

ing subjected with all of these proposals that still have to be examined on a more unique level.

The Chairman: Are there other questions for these witnesses?

Mr. Winston C. Connolly, Jr.: Mr. Chairman, through you. We often hear a lot about SAGCs. They seem to be the theme of the month, so to speak—but that means every month in government. Is there anything you would like to share with this Committee in terms of the . . . I guess the things that impede you in carrying out some of the expectations, both written and otherwise, in terms of delivering on those outputs, et cetera, that you are charged with?

Mr. Jonathan Tibbetts, Chairman, Health Services Authority: Thank you. Through you, Mr. Chairman, of course funding would be one of the major issues, which it is up to government to determine. And we certainly do our best to put in place every possible outcome and have everything as requested as best as possible in stretching money as far as it can go. And being accountable for every penny is key, but funding does impede slightly.

One of the other areas that I think impedes is perhaps the expectation of the role of the board. A lot of times people think a board is an operational board and we are not in any way, shape or form operational. We do not get involved with the operations of the organisation. We are strictly there for policy and procedure, strategic planning and so forth, with senior management.

So, once we understand our role as a board, I think we can be more successful in the operations because the senior management is clear on their delivery of action plans and items for us to review and improve on and so forth. So, the actual expectations of the board I think has been an issue that impedes us because we are constantly bombarded with, *Oh you need to get this done, you need to get that done*. There are policies and procedures in place for us to make sure the outcomes are all delivered, but it is not the board's responsibility to be an operation's board where we actually get involved with the day to day running of the organisation.

So, funding is the most critical by far, but then, of course, the expectations of the board to be operational—which is not the directive for the board or is not the responsibility of the board to be in that position.

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: I would just like to add, Mr. Chairman, through you, a little bit more in regard to the funding and the process of funding, the budget process, because, as the chairman said, there are expectations for us as a public hospital to deliver a certain level of service. But without the appropriate funding it is very difficult to do so. And whereas, per-

haps there is a different level of understanding for maybe non-emergency operations, when it comes to an emergency operation the expectations are held and we are not really forgiven very easily in regard to that.

There is something I would just like to touch upon because this is something that we seem to be out of sync with almost every year. We try very early on to have our strategic review retreat September, latest October, to be able to put in place what we think should be the strategic directives for the coming year. But we seem to get out of sync from the SPS retreat.

For some reason, I may be wrong in regard to this, but there doesn't seem to be as much two-way communication in that regard. A lot of the initiatives based on the review of data and feedback from managers comes up at that strategic planning session that should really be incorporated into the output allocation for the coming year. But it seems that I guess because of the lack of resources we never do get that piece right.

For example, you know, for the last few years we have been requesting to have another EMS operation site because the district of Bodden Town is growing, Savannah is growing, so we feel that in reviewing our data we need to have another location designated to have an ambulance base. And I guess because of funding we always have to cut current outputs as well as any future outputs that we foresee the need for. So, that process, I think we could improve on a little bit better. I know it is still going to be restrained by resources but maybe the resources could be reallocated if we had a bit more communication in a timely manner in order to be able to effect whatever decisions are made at that SPS retreat from our perspective.

The Chairman: I hear you clearly.

In your assessment, where does the breakdown occur in terms of that communication? Why is that not taking place? Or are we just simply talking a timing issue.

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: To be honest, I don't know what the exact answer is. I think oftentimes it is a timing issue. And then at other times I think it is just pure lack of resources. So, even if we had the information that was put forward in a timely manner, those resources are not available.

The Chairman: Any further questions for these witnesses?

If there are no further questions . . . go ahead sir.

Mr. Ronnie Dunn, Acting Accountant General: Mr. Chairman, Ronnie Dunn, Acting Accountant General.

Just to pick up on what Ms. Yearwood just said. In my capacity as Acting Accountant General as well as director of budget and management, it is something that the Ministry of Finance recognises. It was discussed within our weekly management meeting last week, and it is intended that in the upcoming budget process key stakeholders, such as Health Services Authority, Statutory Authorities and Government Owned Companies, will be given an opportunity to be more active in the policy setting process by having the strategic objectives and goals of the organisation communicated up to the Ministry of Finance and Cabinet, so that policy setting on the medium term basis can be more informed.

When the financial reform began, we had a detailed SPS session where agencies would go up and give a presentation as to what their intents were for the next three years. And then it seems as though that fell by the wayside. Again, it became more like a top down approach. But there is benefit in having that input, that is recognised and you will see that coming forward in the upcoming budget process.

The Chairman: Thank you very much for that input.

If there are no further questions . . . go ahead Mr. Connolly.

Mr. Winston C. Connolly, Jr.: Sorry, just had one.

In terms of going forward, implementing the ownership and purchase agreements that set out clear performance objectives and accountability, how . . . I guess if we were to ask you back here in six months, a year, what would be the story? What would you tell us that you have done to get those things, I guess the framework, in place that the Auditor General has said is not working very well? What is that plan going forward?

Ms. Lizette Yearwood, Chief Executive Officer, Health Services Authority: Mr. Chairman, through you. I think one of the weaknesses that we have self-assessed and determined is really a very clear line of accountability by which we cascade those strategic objectives right through the organisation. We do it clearly to the senior management but, obviously, the senior management is not going to be able to achieve everything on their own. Right? So, it is very important that every member of staff in the organisation knows what their individual responsibility is in achieving the big strategic objective.

We have over the years tried to reform our performance appraisal tool to make it a bit more user-friendly, yet still have the information in there that makes it a meaningful and useful tool, and an objective tool, because up until now we have been talking of government in regard to incentives, bonuses and those sorts of things, but in truth and in fact, you need to have a very objective tool in order to be able to deliver such a process.

So, we have, in probably the last four years, changed our tool and it is still very onerous, very cumbersome. And as a result of that we do not have 100 per cent compliance throughout the organisation. So, more recently with the current board we have been looking at other tools. And I looked at the Portfolio of the Civil Service and they have what I consider (relatively speaking) quite a good tool. It is an electronic based tool now. So, we had representatives from the Portfolio of Civil Service come in and demo it to senior management and the next step is to demo it to the HR subcommittee to see if that is something that we want to adopt. Because I think it has all of the relevant stages, subjects in it, and it is also more user-friendly than what we have now.

So, I think that the compliance in using it will be better. As a result we can then ensure that we are delivering on these objectives. You know I think that it is important for us to be able to say that, yes, we have accomplished these things. But we need to make sure that every single member of staff understands their responsibility and take ownership, because we know that even with customer service you can have the best customer service in one pocket of the organisation but unless every person feels their individual responsibility in how to deliver that, it is not going to be accomplished consistently and effectively throughout the organisation.

So, that is one of the things that I would like to be able to report back in a year's time to say that we are doing better regarding our performance appraisal process throughout the organisation.

Mr. Winston C. Connolly, Jr.: I don't have any more questions for you but just speaking to the Auditor General's team and just the relationship between you and the HSA and the board, are there any things that you have that are critical concerns, meaning that you would like to see accomplished as well within short, medium and long term (long term meaning a year from now), other than what you have reported on and what you have seen started on that you would think is a priority that needs to be addressed and perhaps as the Committee, we could make any recommendations to say well, you know maybe the HSA, can you consider this as priority if this is not a priority? Just thinking about how we assist both sides in getting down the road and having some sort of agreed priorities.

Mr. Alastair Swarbrick: Thanks for that.

I think this is for the HSA, but for most all SAGCs. What I would like to see in the next year is the effectiveness of the ownership agreements being put into place in terms of the clear accountability back to government for delivery of the results and that being effected.

If that was the one thing that came out in the next year we would see clearly what results are being driven through government policy and then through

the strategic policy of the authorities and the actual delivery at that end of that year, and that that is getting reported back effectively so there is accountability for actually delivering about what has been required, or on reporting progress to achieve in those objectives. That would be the one thing that I see would be the greatest benefit from my perspective of that process working effectively.

I can't comment as I can't remember what the HSA agreement looks like, but generally as we have talked about there is a lot of bad activity rather than actually achieving results in what results you are trying to achieve. So, if we get that into a good position, I think that would be the most beneficial from my perspective.

The Chairman: If there are no further questions for these witnesses then I would like to thank you all for attending this session of the Public Accounts Committee this morning. Thank you for your candidness in the way in which you have answered our questions. You have been most helpful in shedding light on this report and in terms of your work and involvement in the Health Services Authority. And again I thank you very much.

This concludes our session the Public Accounts Committee. All members in here you are invited to join us for lunch, if you care to do so. The smaller committee we do have a short meeting to attend just to take care of some administrative matters. But if there is nothing further we are all excused at this time.

At 11:45 am Public Accounts Committee stood adjourned.



THE STANDING PUBLIC ACCOUNTS COMMITTEE MINUTES OF PROCEEDINGS

Meeting
Wednesday, 15th October 2014
10:00am

Minutes of proceedings of the Standing Public Accounts Committee's meeting held Wednesday, 15th October 2014 at 10:00am in the Large Conference Room of the Legislative Assembly Building, Grand Cayman.

Present: Mr Roy McTaggart, MLA – Chairman
Mr Winston Connolly, MLA – Member
Mr Joseph Hew, MLA – Member
Capt Eugene Ebanks, MLA – Member
Ms LeSanneo McLaughlin – Clerk of the Public Accounts Committee

Absent: Hon McKeeva Bush, MLA – Deputy Chairman

Attendees: Mr Alastair Swarbrick, Auditor General – Office of the Auditor General
Mr Garnet Harrison, Deputy Auditor General – Office of the Auditor General

1. Meeting Call to Order

There being a quorum present (Standing Order 77(2) refers), the Chairman called the Meeting to order at 10:21am.

2. Apologies

No apologies were offered for the Member absent.

3. Approval of PAC Minutes

a) Wednesday, 6th August 2014

The above Minutes were **approved** on a motion moved by Mr Joseph Hew and seconded by Mr Winston Connolly.

b) Wednesday, 3rd September 2014

The above Minutes were **approved** on a motion moved by Mr Winston Connolly and seconded by Capt Eugene Ebanks.

c) Wednesday, 3rd September 2014 - (hearing)

Subject to amendments to the verbatim (*see Item 4 - Matters Arising from Minutes*), the above Minutes were **approved** on a motion moved by Mr Winston Connolly and seconded by Mr Joseph Hew.

d) *Tuesday, 16th September 2014*

Subject to amendments to the above Minutes (*see Item 4 - Matters Arising from Minutes*) were **approved** on a motion moved by Mr Joseph Hew and seconded by Mr Winston Connolly.

e) *Tuesday, 16th September 2014 - (hearing)*

The above Minutes were **approved** on a motion moved by Mr Joseph Hew and seconded by Mr Winston Connolly.

4. **Matters Arising from Meetings**

i) *Wednesday, 3rd September 2014 - (hearing)*

The Chairman noted a discrepancy with the verbatim transcript for the hearing on the 3rd September. The time in which the hearing was called to order was incorrect and the Committee requested that it be returned to the Hansard Office for revision.

ii) *Tuesday, 16th September 2014*

The Clerk of the Public Accounts Committee (“PAC”) was unable to sit for 16th September hearing and meeting and the Committee agreed that her apologies should be noted in the Minutes. For all the other Minutes which were brought before the Committee there were no matters arising from those Minutes.

5. **Approval of Auditor General Invoices**

- Invoice No. 206426 dated 3 October 2014 for the amount of \$47,098.16

The above invoice was **approved** by a motion moved by Mr Joseph Hew and second by Mr Winston Connolly.

6. **Auditor General’s Update on Current Program of Work**

The Auditor General distributed the following to the Members via email prior to the meeting:

- *OAG Quarterly Report – 30 September 2014*
- *Baker Tilly Letter dated 6 October 2014 – Audit of 30 June 2014 Financial Statements*
- *Government Professional Development Week 2014 – Managing for Results (November 11-14, 2014)*

He gave a brief update on his office’s work progress thru the Office of the Auditor General (“OAG”) Quarterly Report as well as discussed the letter from Baker Tilly and his participation in the Government Professional Week this coming November. With regards to the letter from Baker Tilly, the feedback from the audit was positive and both the OAG and Committee were pleased with the results.

The Auditor General also raised an issue to the Committee that the OAG Audit Reports were not being Tabled on time and advised that the Report does not become a public document until it is Tabled. The Committee agreed that this should be handled more efficiently and in a timely manner.

The Office of the Auditor General will be moving and sharing the common areas with the Office of the Complaints Commissioner and Information Commission’s Office. This move will generate savings of \$100,000.00 per year in leasing cost.

7. **Review and Approval of the PAC Report on ‘The Governance in the Cayman Islands Government’ to be Tabled**

a) *Key Messages – December 2013*

- b) *Describing the Framework – December 2013*
- c) *How Core Government Manages Resources – December 2013*
- d) *The Accountability of Statutory Authorities and Government Companies – December 2013*
- e) *A Survey of Statutory Authorities and Government Company Governance – December 2013*

The Committee reviewed and discussed the above mentioned PAC Report and agreed that it should be Tabled.

Mr Connolly commented that if Chief Officers and the staff are incapable of performing their duties or task, that this behaviour should be included in their performance management review so they can be held accountable for not meeting standards.

Subject to the amendments suggested by the Committee, the above PAC Report was **approved** on a motion moved by Mr Winston Connolly and seconded Capt Eugene Ebanks.

8. Review of the OAG Reports:

- *Office of the Auditor General 2014 Annual Report*

The Auditor General gave a brief overview of the above mentioned Annual Report. The Committee agreed to have this Report Tabled during the next House session.

- *Financial and Performance Reporting – Statutory Authorities and Government Companies for the year ending 30 June 2012*
- *Financial and Performance Reporting – Ministries, Portfolios and Offices for the year ending 30 June 2011 and 2012*

The Auditor General continued with a brief overview of the above mentioned Financial and Performance Reports. He further mentioned that these Reports were delayed awaiting sign-offs.

After deliberations of both Reports, it was agreed that a hearing will be required.

9. Any Other Business

There was no other business.

10. Scheduling of Next Meeting

The Committee agreed that going forward meetings should commence at 9:00am rather than 10:00am.

The Committee will keep their scheduled meeting for Wednesday, 12th November 2014.

It was recommended to reschedule the hearing for the OAG Report: *Management of Travel and Hospitality Expenditures – May 2014*, on Tuesday, 25th November 2014.

The *FS Audited Accounts of the Cayman Islands Government for the Year Ended 30th June 2011* along with the *Financial and Performance Reporting – Statutory Authorities and Government Companies for the year ending 30 June 2012* and *Financial and Performance Reporting – Ministries, Portfolios and Offices for the year ending 30 June 2011 and 2012*, hearings will commence in January.

11. Adjournment

There being no further business, the Chairman adjourned the meeting at 12:03pm.