

CAYMAN ISLANDS

2012/2013 Session of the

LEGISLATIVE ASSEMBLY

REPORT

of the

STANDING

PUBLIC ACCOUNTS COMMITTEE

on the Reports of the Auditor General on the

Management of Government Procurement - 5 July

and

Management of Government Procurement

Case Studies – August 2011

Summary Report

TABLE OF CONTENTS

1.	REFERENCE	3
2.	PAPERS CONSIDERED	3
3.	CHAIRMAN AND MEMBERS OF THE COMMITTEE	3
4.	MEETINGS OF THE COMMITTEE	4
5.	ATTENDANCE OF MEMBERS	4
6.	PERSONS IN ATTENDANCE.....	4
7.	WITNESSES CALLED BEFORE THE COMMITTEE	5
8.	PRACTICE AND PROCEDURE OF THE COMMITTEE (S.O 77 (6))	5
9.	INTRODUCTION & PAC COMMENTS	5
	ACKNOWLEDGEMENT.....	6
	REPORT OF THE COMMITTEE TO THE HOUSE.....	7

**REPORTS OF THE STANDING
PUBLIC ACCOUNTS COMMITTEE
ON THE REPORT OF THE AUDITOR GENERAL
ON THE MANAGEMENT OF GOVERNMENT PROCUREMENT -
5TH JULY 2011
AND
MANAGEMENT OF GOVERNMENT PROCUREMENT -
CASE STUDIES – AUGUST 2011**

SUMMARY REPORT

1. REFERENCE

The Standing Public Accounts Committee of the Cayman Islands Legislative Assembly, established under Standing Order 77, met to consider the Reports of the Auditor General on the Management of Government Procurement – 5 July 2011 and Management of Government Procurement – Case Studies – August 2011 as prepared and submitted by the Auditor General.

2. PAPERS CONSIDERED

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

- Report of the Auditor General on the Management of Government Procurement – 5 July 2011
- Report of the Auditor General on the Management of Government Procurement – Case Studies – August 2011

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE

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

Mr. D Ezzard Miller, JP, MLA - Chairman

Hon Cline A Glidden, Jr., MLA

Mr. Ellio A Solomon, MLA

Mr. Dwayne S Seymour, MLA

Mr Moses I Kirkconnell, JP, MLA

The following Members of the Legislative Assembly are the present Members of the Standing Public Accounts Committee –

Mr Moses I Kirkconnell, JP MLA - Chairman

Hon Cline A Glidden, Jr., MLA

Hon D Kurt Tibbetts, OBE, JP, MLA

Mr. Ellio A Solomon, MLA

Mr. Dwayne S Seymour, MLA

4. MEETINGS OF THE COMMITTEE

The Committee reviewed the Minutes of six (6) meetings held by the Committee, to consider this Report:

- (i) Tuesday 13th September 2011
- (ii) Tuesday 27th September 2011
- (iii) Tuesday 4th October 2011
- (iv) Wednesday 5th October 2011
- (v) Friday 21st October 2011
- (vi) Tuesday 18th September 2012

5. ATTENDANCE OF MEMBERS

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

6. PERSONS IN ATTENDANCE

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

Mr. Alastair Swarbrick - Auditor General

Mr Garnet Harrison – Deputy Auditor General

Mr. Martin Rubin – Manager Audit Office

Mrs. Sonia McLaughlin – Chief Officer/ Ministry of Finance

Mrs. Debra Welcome – Accountant General

Mrs. Gloria Myles – Deputy Accountant General

7. WITNESSES CALLED BEFORE THE COMMITTEE

In accordance with the provisions of Standing Order 77(4), the Committee may invite Controlling Officers and support staff to give information or explanation to assist the Committee in the performance of its duties. The Committee agreed that the following person would be called to give evidence:

Hon McKeeva Bush - Premier

Mr. Donovan Ebanks – Deputy Governor

Mr Kenneth Jefferson – Financial Secretary

Mr. Franz Manderson – Chief Officer / Portfolio Internal & External Affairs

Mr Eric Bush – Deputy Chief Officer / Portfolio Internal & External Affairs

Mr Kearney Gomez – Chief Officer / Ministry DAWL&A

Mr Tristan Hydes – Deputy Chief Officer / Ministry DAWL&A

Mr Lee Ramoon – Deputy Chairman /CTC

Mr Shomari Scott – Acting Director / Department Tourism

Mr Kyle McLean – Manager Finance & Admin / Department Tourism

Mr Peter Young – UDP Treasurer

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

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

9. INTRODUCTION & PAC COMMENTS

The Auditor General's Report of July 2011 focused on the Government's procurement of supplies, services and assets. The Audit found that the Cayman Islands Government has for decades spanning different administration failed to effectively manage procurements and that there has for some time been a fundamental breakdown in controls to ensure fairness, efficiency and transparency in procurement as well as compliance with the laws and regulations. The Auditor General's Report of August 2011 focused on three specific

procurement case studies: Government borrowing of \$155 million, closed circuit television contract, and Jazz Fest 2009. In these cases but not limited to, the Auditor General concluded that there have been a waste of public money and risks for fraud and corruption resulting from lack of guidance and political inference; but the Public Accounts Committee did not find sufficient evidence to support the Auditor General's conclusions.

- 9.01** These reports show that the governance arrangements for the effective management of the government's procurement are very poor. The reports contain several recommendations relating to the development, implementation and operations of an effective procurement function. The witnesses were called by the committee included the premier, deputy governor, financial secretary, chief officer and managing directors of statutory authorities and others involved in procurement.
- 9.02** The committee is of the opinion that the procurement of supplies, services and assets can be managed more efficiently resulting in a savings to government. The witnesses called also agreed procurement can be improved through implementation of recommendations from the office of the auditor general and some of their own.
- 9.03** The committee recommends that government should continue to monitor the procurement process to ensure that the changes recommended by the Auditor General are implemented and to ensure a more efficient, transparent and cost-effective way of procurement.

ACKNOWLEDGEMENT

The Committee is most appreciative of the efforts of the Auditor General and his staff in presenting very fair, detailed and informative Reports on the Management of Government Procurement – 5 July 2011 and Management of Government Procurement – Case Studies – August 2011 and for the support, assistance and constructive advice given throughout its deliberations.

The Committee would also wish to thank the staff of the Legislative Assembly for the assistance provided.

*Report of the Public Accounts Committee on the Reports of the Auditor General on the
Management of Government Procurement*

REPORT OF THE COMMITTEE TO THE HOUSE

Table 1: Budget Estimate and Outturn for the Year Ended 31 December 2002 - Combined Funds

(Except General Reserve)
The Committee agrees that this Report be the Report of the Standing Public Accounts

	Original Estimate 2002 \$m	Approved Estimate 2002 \$m	Actual 2002 \$m	Actual 2001 \$m	Increase/ (Decrease) 2002 %
REVENUE					
Local Revenue	<u>340.073</u>	<u>340.073</u>	<u>316.694</u>	<u>287.628</u>	10.11
EXPENDITURE					
Recurrent	269.766	274.237	252.295	259.384	(2.73)
Capital Acquisitions	5.034	5.461	3.064	3.941	(22.25)
Capital Development	15.998	17.512	14.543	22.156	(34.36)
Statutory	<u>49.786</u>	<u>49.786</u>	<u>49.923</u>	<u>46.968</u>	6.29
TOTAL EXPENDITURE	<u>340.584</u>	<u>346.996</u>	<u>319.825</u>	<u>332.449</u>	(3.80)
(DEFICIT) BEFORE FINANCING	(0.511)	(6.923)	(3.131)	(44.821)	(93.01)
FINANCED BY					
Local Loan	12.000	12.000	10.866	49.607	
External Loan	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.097</u>	
SURPLUS FOR THE YEAR BEFORE TRANSFERS TO RESERVES	11.489	5.077	7.735	4.883	
NET TRANSFER (TO)/FROM GENERAL RESERVE	<u>0.000</u>	<u>0.000</u>	<u>(1.500)</u>	<u>6.900</u>	
SURPLUS FOR THE YEAR	11.489	5.077	6.235	11.783	
CASH MOVEMENTS BELOW THE LINE					
(Increase) in Imprests			(0.369)	(0.047)	
(Decrease)/Increase in Deposits			(3.954)	2.407	
(Increase) in Advances			(1.445)	(1.445)	
NET CASH FLOW FOR THE YEAR			0.467	12.698	
CASH AND CASH EQUIVALENTS					
Beginning of Year			<u>5.406</u>	<u>(7.292)</u>	
End of Year			<u>5.873</u>	<u>5.406</u>	