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**REPORT OF THE STANDING PUBLIC ACCOUNTS COMMITTEE
ON THE REPORT OF THE OFFICE OF THE AUDITOR GENERAL
“FINANCIAL REPORTING OF THE CAYMAN ISLANDS GOVERNMENT” -
GENERAL REPORT 31 DECEMBER 2021 (OCT 2022)”**

1. REFERENCE

The Standing Public Accounts Committee of the Cayman Islands Parliament, established under Standing Order 77(1), met to consider the following Report prepared and submitted by the Auditor General:

*Financial Reporting of the Cayman Islands Government - General Report 31
December 2021 (Oct 2022)*

2. DOCUMENTS CONSIDERED

In accordance with the provision of Standing Order 77(3), the Committee considered the following Report which was referred in the House of Parliament:

*Financial Reporting of the Cayman Islands Government - General Report 31
December 2021 (Oct 2022)*

3. CHAIRMAN AND MEMBERS OF THE COMMITTEE

The following Members of Parliament are the present Members of the Standing Public Accounts Committee:

- Hon. Roy M. McTaggart, JP, MP - Chairman
- Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP
- Ms. Barbara E. Conolly, JP, MP
- Mr. Joseph Hew, MP*
- Mr. Isaac D. Rankine, MP
- Mr. Dwayne S. Seymour, JP, MP

*At the time of the Hearing on 24th November, 2022, the Hon. Katherine Ebanks-Wilks was a Member of the Standing Public Accounts Committee. Upon her election to the role of Speaker of Parliament on 25th November, 2022, the Committee's membership changed through Government Motion No. 2 of 2022-2023, and Mr. Joseph Hew was appointed to replace Hon. Ebanks-Wilks on the Committee.

4. MEETINGS OF THE COMMITTEE

The Committee held three (3) meetings to consider this Report on:

- 19th October, 2022 (Administrative Meeting)
- 24th November, 2022 (Hearing)
- 29th March, 2023 (Administrative Meeting)

5. ATTENDANCE OF MEMBERS

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

6. PERSONS IN ATTENDANCE

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

- Mrs. Sue Winspear – *Auditor General, Office of the Auditor General*
- Mr. Gabriel Ncube – *Audit Manager, Office of the Auditor General*
- Mr. Desmond Mutava – *Audit Project Leader, Office of the Auditor General*

The following persons were in attendance for the final witness portion of the hearing in accordance with Standing Order 77(8):

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

7. WITNESSES CALLED BEFORE THE COMMITTEE

In accordance with the provisions of Standing Order 77(4), the Committee invited persons to give information and explanations to assist the Committee in the performance of its duties. The following persons appeared before the Committee to give evidence on **Thursday, 24th November, 2022:**

- Mr. Kenneth Jefferson – *Financial Secretary / Chief Officer, Ministry of Finance and Economic Development*
- Mr. Matthew Tibbetts – *Accountant General, Ministry of Finance and Economic Development*
- Mrs. Gloria McField-Nixon – *Chief Officer, Portfolio of the Civil Service & Hon. Acting Deputy Governor*

8. PRACTICE AND PROCEDURE OF THE COMMITTEE

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

9. GOVERNMENT MINUTE

The Public Accounts Committee wishes to draw Government's attention to Standing Order 77 sub-order 7 which reads:

"The Government Minute shall be laid on the Table of the House within three months of the laying of the report of the Committee and of the report of the Auditor General to which it relates."

The PAC expects the Government to honour the requirements of this Standing Order.

10. PAC RECOMMENDATIONS & OBSERVATIONS

On review of the Office of the Auditor General's Report, *Financial Reporting of the Cayman Islands Government – General Report 31 December 2021 (Oct 2022)*, and on critical analysis of witness testimonies and deliberations amongst the Committee Members, the PAC endorses and supports the seven recommendations made by the Office of the Auditor General in the Report.

The Committee puts forth one additional recommendation, as well as the following observations:

- 10.1. **As a matter of urgency, the PAC recommends that the Ministry of Finance and Economic Development (MFED) makes a detailed assessment of the cost of implementing Section 47 of the *Public Authorities Act* to include non-monetary benefits (such as pensions and health insurance) for SAGCs and include this in the Government's budget for 2024-2025.** Given the substantial costs reported by the Auditor General in paragraphs 62 and 63 of the Report, the PAC expects to see line items for the implementation of the Public Authorities Act in the Government's budget moving forward.
- 10.2. **The PAC encourages the Deputy Governor to consider revising the organisational structure of budgeting and reporting so that Chief Financial Officers report to the Financial Secretary in addition to their Chief Officers.** This shift in the performance management framework will better support the Financial Secretary in his efforts to improve financial management and reporting across government.
- 10.3. **The PAC encourages the Hon. Speaker of Parliament to summon a Meeting of the House of Parliament no later than 31st March each year** to ensure that Supplementary Appropriation Bills are Tabled in the House as required by Sections 11(6b) and 25(2) of the *Public Management & Finance Act*.
- 10.4. **The PAC encourages the Hon. Speaker of Parliament to summon a Meeting of the House of Parliament no later than 30th September each year** in order to ensure

that annual reports are Tabled in the House as required by Sections 29A(8), 44(6), and 52(7) of the *Public Management & Finance Act*.

- 10.5. The PAC was pleased to hear that MFED has increasingly pushed back on inappropriate non-emergency requests for executive financial expenditures from Ministries and Portfolios that rely on Section 11(5) of the *Public Management & Finance Act*.
- 10.6. The PAC encourages the Deputy Governor to **create a guideline document outlining the best practices for reorganisations of Ministries after elections.**

11. WITNESS UNDERTAKINGS

Per section 7 of this Report, the PAC heard from three witnesses at the public hearing held on Thursday, 24th November, 2022: the Financial Secretary, the Accountant General, and the Hon. Acting Deputy Governor. A total of five undertakings were given to the Committee:

- 11.1. The Financial Secretary undertook to research whether the Cabinet has approved any requests for assistance in meeting the obligations of Section 47 of the *Public Authorities Act* with respect to health care and pension costs. **The PAC requests this information by the end of Q2 2023.**
- 11.2. The Financial Secretary undertook to provide the Committee with the precise list of the Statutory Authorities and Government Companies (SAGC) that have paid dividends to the Treasury. **The PAC requests this information by the end of Q2 2023.**
- 11.3. The Accountant General undertook to provide the Committee with information on whether the 21 Ministries, portfolios and offices with surpluses in 2021 had repaid these to the Treasury. **The PAC requests this information by the end of Q2 2023.**
- 11.4. The Accountant General undertook to provide the Committee with the details of how many revaluations were conducted. **The PAC requests this information by the end of Q2 2023.**
- 11.5. The Accountant General undertook to share the Entire Public Sector (EPS) financial audit corrective action plan with the Committee. **The PAC requests this information by the end of Q2 2023.**

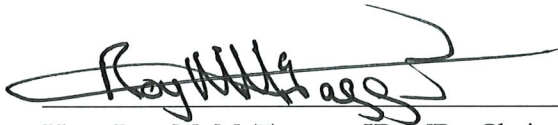
ACKNOWLEDGEMENTS

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

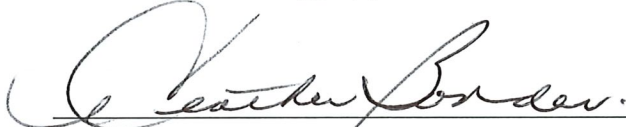
REPORT OF THE COMMITTEE TO THE HOUSE

The Committee agrees that this Report be the Report of the Standing Public Accounts Committee to the House on the following Report of the Office of the Auditor General:

- *Financial Reporting of the Cayman Islands Government – General Report 31 December 2021 (Oct 2022)*



Hon. Roy M. McTaggart, JP, MP - Chairman



Ms. Heather D. Bodden, OCl, Cert. Hon., JP, MP – Member



Ms. Barbara E. Conolly, JP, MP – Member

Mr. Joseph Hew, MP – Member



Mr. Isaac D. Rankine, MP – Member

Mr. Dwayne S. Seymour, JP, MP – Member



Parliament of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting

Wednesday, 19th October, 2022, 9:30 am

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – Chairman
Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – Member
Ms. Barbara E. Conolly, JP, MP - Member
Hon. Katherine A. Ebanks-Wilks, MP – Member
Mr. Isaac D. Rankine, MP – Member

Absent: Mr. Dwayne S. Seymour, JP, MP – Member

PAC Clerk: Ms. Susan Burke – Procedural Clerk (attending by Zoom)
Ms. Nordra Walcott – Assistant Clerk

Attendees: Mrs. Sue Winspear – Auditor General
Ms. Angela Cullen – Deputy Auditor General (Performance Audit)

1. Meeting to Order

There being a quorum present, the Chairman called the meeting to order at 9:30 am.

2. Apologies

None.

3. Approval of PAC Minutes

22nd June 2022 (Administrative Meeting): Ms. Cullen pointed out a small typo on page three. Pending this change, the Chairman asked for a motion to approve the minutes. Mr. Isaac Rankine provided the motion, which was seconded by Ms. Barbara Conolly, and the minutes were unanimously approved.

4. Matters Arising from Minutes

4.1. Ms. Burke provided the Committee with a summary of the minutes from the Annual General Meeting of the Commonwealth Association of Public Accounts Committees (CAPAC), which was held on 30th-31st August, 2022 in the Maldives.

4.2. The Chairman confirmed that he would be attending the UK Overseas Territories Project Forum in London from 29th November – 1st December along with Mr. Isaac Rankine, Mrs. Sue Winspear, and Ms. Susan Burke. CPA UK will be funding the costs of the event including the cost of economy travel and hotel accommodations from the 27th November – 2nd December. The Auditor General requested that the Committee support having a representative from Internal Audit attend the Forum as well, and noted that she would request this also from the Chief Officer of the Portfolio of the Civil Service. Ms. Burke added that she and the Clerk had requested Internal Audit's participation but that it was declined, citing the opportunity cost of travelling that far for a short event.

Ms. Burke informed the Committee that the CPA was hosting another workshop immediately following the Forum, which was specific to PAC Clerks, and confirmed that she will be attending the workshop in London from 5th – 7th December.

4.3. Ms. Burke provided the Committee with a brief overview of the working draft PAC Manual, and invited their feedback and suggestions. Members were provided with a hard copy of the draft. Ms. Burke added that this was not a complete draft. The Chairman thanked the PAC Clerk and asked Members and the OAG to review the draft and revert to the PAC Clerk.

5. Approval of Auditor General's Invoice

The Auditor General thanked the Chairman for getting the three previous invoices signed by Round Robin. The Chairman signed the invoice #207716 upon a motion by Ms. Heather Bodden, which was seconded by Ms. Barbara Conolly.

6. Auditor General's Updates

6.1. The Auditor General reviewed the Forward Performance Audit Programme document with the Committee. The Auditor General and Deputy Auditor General asked the Committee for feedback and suggestions on the areas of future reports that have been identified. The Committee Members asked clarification questions on the various suggested report topics, and the Chairman confirmed that members will provide the OAG with further feedback.

6.2. The Auditor General asked the Chairman to endorse the OAG's proposals outlined in the paper on *Entity Financial Audits 2023 to 2027*, pertaining to changes to budgeting practices for private entity audits, increasing staff, and maintaining its surplus. The Auditor General noted that the Financial Secretary and Chief Officer of the Portfolio of the Civil Service have been supportive of the OAG's proposals.

The Auditor General noted that Mr. Patrick Smith, Deputy Auditor General (Financial Audit) will be rotating off financial audit for two years after 20 years in the OAG's financial audit practice to ensure the Office complies with Auditing Standards. His temporary two-year role would include leading on the backlogged audits, corporate work and some international audit consultancy work (that would be funded by the IDI). Mr. Rankine asked how many additional staff the Auditor General would need. The Auditor General said there will need to for an additional 4-6 staff in total; 2-3 permanently and 2-3 temporarily to work on the backlogged audits. This will also provide additional support for the Performance Audit practice. The Auditor General noted she could fund the additional staff if the OAG were able to retain its 2021 surplus (for the temporary posts) and have its budget increased to cover the audits returning in-house from 2023. The Chairman added that he supports the OAG's needs to be fully staffed to support its work in improving transparency. Mr. Rankine asked the OAG to provide an organisational chart of her staff to the Committee. **The Auditor General confirmed she will provide the Committee with an organisational chart.**

- a. **The PAC agreed to endorse** the Auditor General's decision to put eight entity audits out to the market for the period 2023-2027, and to bring a further eight entity audits back in house from 2023.

Entity audits to go to market:

- i. Cayman Airways
- ii. Civil Aviation Authority
- iii. Maritime Authority
- iv. Stock Exchange
- v. Water Authority
- vi. Cayman Turtle Conservation and Education Centre Limited
- vii. CINICO
- viii. Public Service Pensions Board

Entity audits to be brought back in-house:

- i. Office of the Ombudsman
- ii. Office of the Director of Public Prosecutions
- iii. Judicial Administration
- iv. Portfolio of Legal Affairs
- v. Children and Youth Services Foundation
- vi. National Drug Council
- vii. National Gallery
- viii. UCCI

- b. Consequent to this, and after discussion with the Committee, **the Committee endorsed** the Auditor General's recommendation that from 2023 onwards, the budgets for the outsourced audits are to be held first in the OAG budget, and that the OAG invoice the client for the total costs of the audit directly (i.e. the firm's fees and the OAG oversight fee).
- c. **The PAC also endorsed** the Auditor General's recommendation that the OAG be permitted to increase its staff in order to deliver the additional audits coming in-house from 2023, and that the equivalent of the 2022 firms' audit fees should be added to the OAG's 2023 budget to pay for this.
- d. Finally, **the PAC endorsed** the Auditor General's recommendation that the OAG should be allowed to retain its 2021 surplus and all surpluses and deficits going forward, to enable it to operate as a truly independent trading entity, in order to maintain flexibility. The Auditor General assured the Committee that the OAG wants to be held accountable by the PAC and will do this through quarterly and annual reporting and the PAC approval of the

OAG's budgets.

- 6.3. The Committee were provided with the close-out report on the ORIA terminal redevelopment project. The Auditor General and Deputy Auditor General noted it was commendable that the unit provided the assessment and suggested that the Chairman send a thank-you letter to Mr. Albert Anderson, CEO of the Cayman Islands Airport Authority for the report. **The Chairman agreed to send a thank-you letter; Ms. Burke will draft the letter.** The Committee agreed that it was commendable that the Cayman Islands Airport Authority had done this assessment so that lessons could be learned for the future and hoped that other entities would do the same after any major projects.
- 6.4. The Auditor General provided the Committee with a brief overview of the Quarterly Report 30th June 2022, drawing attention to the two new audit trainees, Jason Lee and Andrew Browning. The Auditor General noted that it had already been some time since the report was released and the next Quarterly Report to the end of September should be completed soon. The financial audit will be covered in the consideration of the 2021 General Report which will be discussed next at item 7.1.
- 6.5. The Auditor General mentioned that she was working on getting specific legislation drafted as this was lacking and the other independent office, the Ombudsman, had its own Act. Ms. Conolly and the Chairman asked about the legislative confines that the OAG is bound to and the Auditor General said that the Constitution and PMFA provide the legislative framework currently and this was reasonably comprehensive. The Auditor General noted that she has retained a lawyer to assist with drafting the legislative changes

7. Auditor General's Reports

- 7.1. General Report 31-December-2021 (October 2022): The Auditor General provided the Committee with an overview of the financial report, noting that she had made formal recommendations for the first time. The Auditor General talked through the seven recommendations made within the report. Discussion ensued. The Auditor General suggested that the PAC hold a full-day hearing. The Committee unanimously agreed to hold the hearing on **Thursday, 17th November**. The following witnesses were identified, and **the PAC Clerk undertook to invite them to the hearing**:
- 10:00 a.m. – 12:00 p.m.: Mr. Kenneth Jefferson, *Financial Secretary and Chief Officer, Ministry of Finance & Economic Development*, supported by Mr. Matthew Tibbetts, *Accountant General, Ministry of Finance & Economic Development*.
 - 1:00 – 2:00 p.m.: Mrs. Gloria McField-Nixon, *Chief Officer, Portfolio of the Civil Service*.
 - 2:00 – 3:00 p.m.: Hon. Franz Manderson, *Deputy Governor and Head of the Civil Service*.
- 7.2. Follow-up on past PAC recommendations 2022 – Report 3 (September 2022): The Auditor General provided an overview of the report with the Committee and suggested that the PAC hold a half-day hearing on Appendix 2 ("Efficiency of Summary Courts" (November 2019)). Discussion

ensued. The Committee agreed to hold the hearing on **Friday, 18th November**. The following witness was identified and **the PAC Clerk undertook to invite her to the hearing**:

- 10:00 a.m. – 12:00 p.m.: Mrs. Suzanne Bothwell, *Court Administrator & Chief Officer, Judicial Administration*

7.3. Procurement of Lateral Flow Tests – Public Interest Report (March 2022): The Auditor General noted that this report was already a public document and that the contents were simply for the public's interest, and did not suggest the PAC do anything further with the report other than accept it.

8. PAC Hearing Preparation (“Government’s Shift to Online Services”) – 20th October

The Committee were provided with four mini reports pertaining to the four areas of the Report, as well as copies of the Auditor General’s briefing notes. The Deputy Auditor General (Performance Audit) reviewed the briefing notes with the Committee. Discussion ensued. The Committee determined which Members would ask each question during the hearing. The Chairman encouraged Members to be familiar with the content of the report and to ask any of their own questions of the witnesses. It was later noted that Ms. Heather Bodden would not ask questions of the witnesses, other than the Hon. Deputy Governor, given her role as Parliamentary Secretary for the pertinent Ministry.

9. Schedule of next Administrative Meeting

The next Administrative Meeting was scheduled for Wednesday, 9th November, 2022 at 10:00 a.m.

10. Any Other Business

None.

11. Adjournment

There being no further business, the Chairman thanked the Committee Members and the Auditor General, and adjourned the meeting at 12:05 p.m.

Minutes approved in the PAC administrative meeting held on Wednesday, 16th November, 2022, on a motion by Hon. Ebanks-Wilks, which was seconded by Ms. Conolly.



Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Approved MINUTES of Meeting with Witnesses

Thursday, 24th November, 2022

House of Parliament

OAG REPORT:

***“Financial Reporting of the Cayman Islands Government –
General Report – 31 December 2021 (October 2022)”***

PAC Members Present:

Hon. Roy M. McTaggart, JP, MP – *Chairman*
Hon. Katherine A. Ebanks-Wilks, MP – *Member*
Ms. Barbara E. Conolly, JP, MP – *Member*
Mr. Isaac D. Rankine, MP – *Member*
Mr. Dwayne S. Seymour, JP, MP – *Member*

Apologies:

Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP – *Member*

PAC Clerk:

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

Attendees:

Mrs. Sue Winspear – *Auditor General, Office of the Auditor General*
Mr. Gabriel Ncube – *Audit Manager, Office of the Auditor General*
Mr. Desmond Mutava – *Audit Project Leader, Office of the Auditor General*
Mr. Kenneth Jefferson – *Financial Secretary / Chief Officer, Ministry of Finance and Economic Development*
Mr. Matthew Tibbetts – *Accountant General, Ministry of Finance and Economic Development*

Witnesses:

Mr. Kenneth Jefferson – *Financial Secretary / Chief Officer, Ministry of Finance and Economic Development*
Mr. Matthew Tibbetts – *Accountant General, Ministry of Finance and Economic Development*
Mrs. Gloria McField-Nixon – *Chief Officer, Portfolio of the Civil Service & Hon. Acting Deputy Governor*

1. Meeting to Order:

There being a quorum present (Parliament Standing Orders 77(2) refers), the Chairman called the Public Accounts Committee (PAC) hearing to order at 10:09 am.

2. Welcome:

The Chairman gave a brief welcome to Members of the Committee and Attendees and thanked them for attending the Public Accounts Committee (PAC) Hearing. The Chairman invited PAC Member, Mr. Isaac Rankine, to begin proceedings with a prayer, and acknowledged receipt of apologies from PAC Member Ms. Heather D. Bodden, MP. The Chairman also acknowledged the presence of Mr. Alejandro Holness, Parliamentary Intern.

3. Report of the Auditor General:

The Chairman stated the purpose of the Hearing was to examine the Office of the Auditor General's (OAG) Report, *"Financial Reporting of the Cayman Islands Government – General Report – 31 December 2021 (October 2022)"* (the "Report"), and provided a brief overview of the Report before inviting the Auditor General to make an opening statement and present the Report.

The Auditor General, Mrs. Sue Winspear, presented an overview of the Report, and introduced two members of her staff: Mr. Gabriel Ncube and Mr. Desmond Mutava.

The Chairman invited the first two witnesses to the Chamber, Mr. Kenneth Jefferson and Mr. Matthew Tibbetts, and thanked them for attending the hearing. Witnesses were reminded to state their name and title for the record before responding to their first question. Discussion ensued with questions being asked to Mr. Jefferson and Mr. Tibbetts by the PAC Members.

- Mr. Jefferson **undertook** to update the Committee on whether Cabinet has approved any supplementary funding requests from SAGCs to cover additional costs arising from Public Authorities Act section 47.
- Mr. Tibbetts **undertook** to update the Committee on the number of Ministries / Portfolios that had repaid their surplus, as well as how many provided dividends to Treasury.

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

The Chairman announced the Committee would take a five-minute break.

The Chairman reconvened the Committee and welcomed the final witnesses, Mrs. Gloria McField-Nixon. The witness was reminded to state her name and title before responding to the first question. Discussion ensued with questions being asked to Mrs. McField-Nixon by the PAC Members. Before departing the Chamber, the Chairman thanked the witness on behalf of the Committee for attending the Hearing.

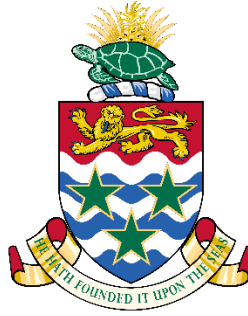
3. Any Other Business:

None.

4. Adjournment:

There being no further business, the Chairman thanked the PAC Members, the Auditor General and her team, the Financial Secretary and Accountant General, and the PAC Clerk. The meeting was adjourned at 1:59 pm.

The minutes were approved in the administrative meeting held on 1st March 2023 upon a motion by Ms. Conolly which was seconded by Ms. Bodden.



Parliament of the Cayman Islands

STANDING PUBLIC ACCOUNTS COMMITTEE

MINUTES

Administrative Meeting
Wednesday, 29th March, 2023

PAC Members Present:

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

Apologies:

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

PAC Clerk: Ms. Susan Burke – Procedural Clerk

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

1. Meeting to Order

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

2. Apologies

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

3. Approval of PAC Minutes

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

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

4. Matters Arising from Minutes

- 4.1. The Committee members reviewed the letter to the Acting Chief Officer of the Cayman Turtle Centre, asking for an update on the staffing issues that posed a challenge to the timely completion of past audits and whether an action plan has been put in place.
- 4.2. The Committee reviewed the four letters to the witnesses of the hearing held on 20th October, 2022 pertaining to the Auditor General’s Report, “*Government’s Shift to Online Services (June 2022)*”. Mr. Rankine noted the Ministry of Planning, Agriculture, Housing and Infrastructure (MPAHI) had an error in the acronym and title.

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

5. PAC Reports for Review/Approval

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

6. Approval of Auditor General’s Invoice

- 6.1. The Deputy Auditor General noted that the back page of the invoice is the breakdown for February, not January.
- 6.2. The Chairman asked clarification on the consultancy fees. The Deputy Auditor General clarified that it is for a plain language editor to edit all of the OAG’s performance audit reports before they publish them.
- 6.3. **The Chairman signed the invoice #207790 for \$58,996.61 from 28th February 2023 upon a motion by Ms. Conolly, which was seconded by Ms. Bodden.**

7. Auditor General’s Update

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8. Auditor General's Reports

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Any Other Business

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

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

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

10. Scheduling of Next Meetings:

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

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

11. Adjournment

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

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



Parliament of the Cayman Islands

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Round Robin

20th April 2023

We, the Members of the Standing Public Accounts Committee, hereby approve the following Minutes of the Standing Public Accounts Committee and agree that they be tabled in the House during the Third Meeting of the 2021-2022 Session of the Cayman Islands Parliament.

Minutes

- Wednesday, 29th March 2023 (Administrative Meeting)

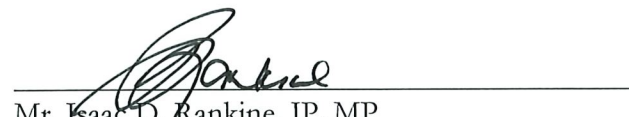


Hon. Roy M. McTaggart, JP, MP
Chairman

Ms. Heather D. Bodden, OCI, Cert. Hon., JP, MP
Member



Ms. Barbara E. Conolly, JP, MP
Member



Mr. Isaac D. Rankine, JP, MP
Member



Mr. Joseph X. Hew, MP
Member



PARLIAMENT OF THE CAYMAN ISLANDS

STANDING PUBLIC ACCOUNTS COMMITTEE

**REPORT OF THE AUDITOR GENERAL: "FINANCIAL REPORTING OF THE
CAYMAN ISLANDS GOVERNMENT: GENERAL REPORT 31 DECEMBER 2021
(OCTOBER 2022)"**

*Official transcript relating to the Official Report of the
Standing Public Accounts Committee Meeting
held on 24 November, 2022*

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PRESENT WERE:

PAC Members:

Hon. Roy M. McTaggart, JP, MP, Chairman
Hon. Katherine Ebanks-Wilks, MP, Member
Ms. Barbara E. Conolly, JP, MP, Member
Mr. Isaac D. Rankine, MP, Member
Mr. Dwayne S. Seymour, JP, MP, Member

Apologies:

Ms. Heather D. Bodden, OCl, Cert. Hon., JP, MP, Member

In attendance:

Mr. Kenneth Jefferson – Financial Secretary & Chief Officer
Ministry of Finance and Economic Development – (MFED)

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

Ms. Theresa Walters – Deputy Accountant General
Ministry of Finance and Economic Development

Audit Office:

Mrs. Sue Winspear, Auditor General
Gabriel Ncube - Acting Audit Manager
Desmond Mutava - Audit Project Leader

Witnesses:

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

Mr. Matthew Tibbetts - Accountant General
Ministry of Finance and Economic Development

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service
Acting Deputy Governor

PAC Clerk:

Ms. Susan Burke

**OFFICIAL VERBATIM REPORT
STANDING PUBLIC ACCOUNTS COMMITTEE
THURSDAY
24 NOVEMBER, 2022
10:09AM**

**FINANCIAL REPORTING OF THE CAYMAN ISLANDS GOVERNMENT:
GENERAL REPORT 31 DECEMBER 2021 (OCTOBER 2022)**

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Thursday, 24th November, 2022, at 10:09am, in the Chamber of the House of Parliament; George Town, Grand Cayman.

[Hon. Roy M. McTaggart, Chairman presiding]

The Chairman: Good morning everyone. I would like to call this meeting of the Public Accounts Committee to order. First order of business is to open with a prayer, and for that I will call upon Mr. Isaac Rankine this morning.

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

Lord, we thank you for those who are present today. Thank you that we can come together as individuals with different gifts and strengths to pursue a common goal in this Public Accounts Committee hearing. I ask that you fill each heart with your presence, grant each mind clarity, and direct us in the way that we should go and make the path before us clear. May all we do, be to the glory of your name, in Jesus' name we pray.

Amen.

The Chairman: Thank you, Mr. Rankine, and good morning once again to members of the committee, the Auditor General's office and our witnesses who are in the Chamber with us this morning. They are the Financial Secretary and the Accountant General. I also see you have another senior Member of your team here—welcome, Ms. [Theresa] Walters.

I also want to recognise our Parliamentary Page, Alejandro, this morning. First time, no, second time, because you were here yesterday, and I neglected to mention you and welcome you as well, but glad you're here this morning as well. Welcome to you.

This morning, we are here to discuss and to examine a report from the Auditor General, the title of the report—before I go forward, let me make everything right. We do have apologies from Ms. Heather Bodden, who is not able to be here this morning; Mr. Dwayne Seymour as well, although I suspect he might be coming at a later time but, in any event, we have apologies from them this morning.

We are considering a report issued recently by the Auditor General entitled *Financial Reporting of the Cayman Islands Government: General Report 31 December 2021 issued in October 2022*. At this point I will invite the Auditor General to introduce the report and make her opening comments.

**Office of the
Auditor General**

Mrs. Sue Winspear, Auditor General: Thank you, Mr. Chairman. Good morning to you, members of the committee, colleague officials, and the listening public. Thank you for the opportunity to make some opening remarks.

As you mentioned, the report we are considering today is my office's 2021 General Report on the state of financial reporting in the Cayman Islands. The report was published in October and summarises the results of our financial audits of the 50 public sector entities in 2021.

Financial reporting across the public sector entities continues to be strong, both in timeliness and in quality. I am pleased to report that as of today, only five of the 50 entity audits remain outstanding, and all 45 that have been completed were given a clean or unqualified audit opinion. This is a significant improvement over where Cayman was a decade ago.

In my report, I make recommendations for the first time, and there are seven of those. I recommend that now a stronger focus is given to the entire public sector account where the audit for 2021 is yet to start, but where the most recent audit opinion I gave was an adverse one. The entire public sector account consolidates the finances of those 50 entity audits, and brings in expenditure from the executive side of government which is not included in the entity accounts. The Ministry of Finance should produce a road map to show how,

over time, they plan to move this audit opinion from adverse, first to a qualified one, and then, ultimately, to an unqualified or clean opinion.

I also recommend that the Ministry of Finance should provide clear financial leadership to all public bodies in financial matters that pervasively affect the Cayman Islands public services. [The year] 2021 was an election year, with significant post-election reorganization of Ministries, and it was also a year where assets were revalued. Both of these matters led to issues and delays during the audits, particularly when dealing with the differences between Ministries when transferring assets, liabilities and budgets.

I make two recommendations regarding the implementation of the Public Authorities Act. Firstly, that those remaining statutory authorities and government companies that have not moved their staff on to civil service pay scales do so as required by the law; and secondly, that the financial implications of SAGCs (Statutory Authorities and Government Companies) adopting civil service pension and healthcare benefits are fully costed before being implemented under section 47(3) of the Act. The government should either provide a budget for these additional costs to SAGCs, or take a policy decision to change that part of the Act, if it is judged unaffordable. During 2021, the HSA was the first SAGC to move on this part of the Act in deciding to provide pension benefits equivalent to those of the civil service and this was at a cost that amounted to \$4 million.

The remaining recommendations I make are for performance measures to be included in annual reports, some amendments to the standards in Public Life Act, and that the government consider the value for money of maintaining the Sister Islands' Affordable Housing Development Corporation as a separate entity, given that it has not built or sold any houses in the past three years, and the cost of the audit is the most significant cost in their financial statements.

Mr. Chairman, this report summarises the results of all 2021 entity audits; it is something that involves every finance team across the public service and every single member of my team.

I have with me today Gabriel Ncube and Desmond Mutava, who worked on drafting this report with me, and we stand ready to support the committee in any way we can during the hearing.

Thank you.

The Chairman: Thank you, Auditor General for those opening comments. We will move directly now into the questioning of these witnesses.

Financial Secretary (FS), I just want to make sure: I will be directing my questions to you and if you need assistance from your team that you will invite them either to make a contribution, or to respond to you. Right?

Ministry of Finance and Economic Development

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

The Chairman: All right.

Thank you FS; then I will move right into it. First thing that we want to raise this morning FS, is the timeliness of financial statements and the annual reports. The Auditor General reported that three public bodies missed their statutory deadline for submitting financial statements, and eleven missed the statutory deadline for submitting annual reports.

I believe it is probably fair to say, at least in terms of submitting their financial statements, that that did not meet the same record, if I might say, that we might have had in prior years, where I think we have had situations where every member met the deadline, or there might have been one that did not.

Can you speak to us and tell us, what is the Ministry's view on the timeliness of submission of financial statements and annual reports to the Auditor General for audit?

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

Good morning and for the record, as you usually request, my name is Kenneth Jefferson. I am the Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development.

Mr. Chairman, the Ministry of Finance is always encouraging ministries, portfolios and offices to meet the deadline of submission not only of their financial statements but their annual reports which is two months after the financial year end, so the 28th February is the date that the agencies submit their annual reports. We strongly encourage that. In the meetings that are held by the Deputy Governor with his Chief Officers, that frequently gets on the agenda as to the need to meet that deadline.

I think the slight deviation in the performance in terms of meeting—because I think it is a step backwards from previous year, perhaps some of that can be attributed to the fact that, you know, with the changes following the election there were added complications which may have given rise to some delays, but the view of the Ministry is that we encourage compliance with the deadline, and we stand ready to help ministries/portfolios to meet that deadline.

The Chairman: Okay, thank you for that, FS.

And in terms of the role of your Ministry, can you tell us, what is your role in providing leadership for more timely submissions of financial statements and annual reports? Can you tell me if there is anything that you see that could be done to improve that timeliness

and submission of reports in compliance with the Public Management and Finance Act (PMFA)?

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

The Chairman: Sure.

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: I am sorry, Mr. Chairman. If you don't mind I'm going to ask the Accountant General to address that. He was making some points to me but I think it is best if it actually comes from him.

The Chairman: Accountant General

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

Mr. Chairman, we are currently looking at the overall framework of budgeting and reporting for the government and seeing how we can improve the connecting parts between performance management and the Ministry of Finance. Currently we have a decentralized model where Chief Financial Officers (CFOs) report to their Chief Officer and then, obviously, the Chief Officer to the Deputy Governor, so our current framework requires that the Financial Secretary asks the Deputy Governor to encourage the Chief Officers to put pressure on their CFOs to submit on time.

The model that we are looking at going forward would potentially shift the performance management so that they would have reporting line to the Financial Secretary which would allow him direct authority over their activities, which is something that's lacking right now.

Thank you.

The Chairman: So effectively then, it is fair to say you have responsibility but really don't have the tools, necessarily, to ensure, or to enforce, the compliance in whatever way you might deem necessary.

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Mr. Chairman, that's correct.

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

Mr. Chairman, I would just like to add as well, to give credit to the Auditor General's Office in that the role that they have played recently in conducting interim audits would help ministries/portfolios to meet that deadline so we need to give credit to the audit office; but Mr. Chairman, our role in finance is one of encouragement, and one of lending support to CFOs, in particular, to meet their deadlines.

Basically, technical accounting advice on areas that are perhaps problematic. We see that as our role and up until the 2021 year end, the record has been fairly good in meeting the deadline, but we've suffered a bit of a setback in respect of the 2021 year.

The Chairman: Okay FS, I want to leave that there because I think I have exhausted that in terms of the timeliness this year. I want to talk now about the status of backlogged audits because it seems to me that continues to be an issue, in terms of a couple of entities which seem to continue to be seriously late in the completion of their audits.

The Auditor General's report points out that seven public bodies, and that includes the entire public sector (EPS) as well, for the 2021 financial year ongoing or backlogged; a further four audits for 2020; two audits for 2019; two for 2018; and one for 2016/ 17 are outstanding. The Ministry of Health and Wellness has been backlogged since 2016/17 and the Airports Authority (CIAA) has been in backlog since 2019. What that means, is [that] an entity like the Ministry of Health hasn't filed financial statements since year-end 2015; and, in the case of the Airports Authority, we have not seen audited financial information since 2018.

What are the concerns and risks that arise from the backlogged audits for the Ministry of Health and Wellness and the Cayman Islands Airports Authority?

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman, for your observations. Obviously the Auditor General has said this morning not a significant change to what you just said, that the backlog of seven has now become five, I think—but your point is valid.

The risk, the concerns of any outstanding audit for a considerable period time is evidenced by the fact that an the EPS level (the entire public sector level), the Auditor General has clearly said that it is just one of many factors that have led to an adverse opinion on the entire public sector set of financial statements. The fact that, you know, there are entities within the entire public sector like the Minister of Health, like the Airports Authority, like the Turtle Centre, et cetera, that have significant expenses, significant assets, and significant liabilities.

If the audits for those are incomplete then, you know, the audit office is left with a question mark as to when you put all of the entities together whether there's, you know, an under-statement of expenses, differences with assets... It casts doubt so the risk, to answer your question Mr. Chairman, is that it casts doubt about the entire public sector and the fairness of the financial statements for the entire public sector.

Those are the implications of audits being outstanding for quite a period of time. Another obvious one is, you know, the increased risk of fraud. If many years elapse that the audits are not complete, staff could get

complacent in those areas and think that, you know, there's no real sort of scrutiny because, *we have done this [in] this way for quite some time and we have gotten by*; but the main practical implication would be at an entire public sector level, the opinion for that is left in doubt.

Obviously the public should have an interest in what's happening with how their dollars are spent, et cetera, so that the public doesn't know what is going on in terms of the financial affairs of these entities that are listed here—so the public is left deficient as well.

The Chairman: Thank you, sir. Auditor General.

Mrs. Sue Winspear, Auditor General: Thank you, Mr. Chairman.

I just wanted to clarify that the backlog for 2021 is indeed now seven. Obviously, the report was written in October and we are now at the end of November so it is now five, but the report said seven because that was the position when the report was written. I wanted to clarify that and apologise that I didn't update, in my opening remarks, that in the intervening period we have moved on with another two.

I also wanted to mention that I have the 2016-17 file for the Ministry of Health with me now for final review. I anticipate we will be able to sign that one off fairly imminently too.

The Chairman: Okay, because one of the follow up questions I was going to ask you as a result of what you were saying was whether there was any impact on the two entities that I specifically mentioned that were, I guess, most behind in the filing of their statement, so thank you for that clarity. FS?

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

The Chairman: Yes, sir.

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: If I could just briefly add to what the Financial Secretary mentioned a minute ago, in regards to the concerns regarding outstanding audits.

That is a concern of ours that these audits have not been completed, obviously, [for] a few years now and so, something that we are doing in the Ministry of Finance is, we are getting a service level agreement with internal audit to look back at all payments, and we are going to expand it to payroll as well. Any transactions that have transpired in the last five years. We want to look particularly at smaller amounts as well as large amounts, just to do an extra check just to make sure that we can have a bit more confidence even though the audits have not been finalised, but we will be doing a bit extra checking particularly because these audits

have not been finalised, so we want to have that extra level of confidence. We want the public to know that we are actually doing things to ensure that we do have measures in place to try to mitigate any risk that is associated with this.

Additionally, to expand on the point that the Financial Secretary raised in regards to the EPS accounts, while they are a bit outstanding, we do rely on the other ministries (Ministry of Health and CIAA) completing their audits in order to approve our opinion because that is a qualifying point. That is a delay because the EPS accounts are actually just a consolidating set of accounts for the entire government and so that relies on the other Ministries finalizing their audits as well.

Thank you, Mr. Chairman.

The Chairman: I thank you for that clarity because it is one of the issues I wanted to raise with you with regard to any work you might have been doing with internal audit to look into some of these entities and provide some scrutiny so I really do appreciate that clarity. I believe that is a huge step in the right direction, sir.

Also, what is your role in supporting these backlogged audits?

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Mr. Chairman, our understanding with the audit office was that they have a plan, particularly for the Ministry of Health, towards getting their accounts caught up.

I believe you have a plan for all of the outstanding years now—Auditor General, I would pass it over to you for confirmation on that; and I believe CIAA has made some improvements as well recently, and I believe they have a plan for finalizing, for getting their backlog caught up as well. Mr. Chairman, I will pass it over to the Auditor General for her assessment.

The Chairman: Auditor General, you have anything to add?

Mrs. Sue Winspear, Auditor General: Yes, we do have a plan to address the backlog. At the moment though, when we get into our busy audit season we park the backlogged audits in preference and give priority to those that are working towards the existing statutory deadline.

I mean, there is a trade-off between timeliness and audit opinion. We could give disclaimed audit opinions on the Ministry of Health and the Airport Authority and get them up to date that way, but we have taken the view that it is better to spend time and get the issues resolved and try and get to a clean, or at least a qualified opinion, for those entities.

As I say, we have made some changes within the office where we are going to put some focused resource on the backlog to try and clear that as quickly as possible.

The Chairman: Okay, thank you. Mr. Tibbetts.

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Mr. Chair, we appreciate the audit office working with the Ministries. Something that we would like to express is, once we are caught up on these audits, we are okay with a disclaimer being given because we want to put that emphasis and the responsibility on the Ministries—the pressure on the Ministries—to complete their audits on time, because it's easy for a Ministry to say, *Oh, well, the audit has not been completed but that's the audit office's fault.*

We are a team and we have to work together on this. The audit office has to work with the Ministry, so we want to put that pressure on the Ministries going forward, once the backlogs are caught up, so that they will know that we are that serious to issue an adverse disclaimer of opinion if necessary, so that they follow through with the timeline as set out in the law, because it's unfair to push it off on the audit office to say, *Oh, the audit is not completed* because we work on this together and so we want to place that pressure on the Ministries to complete it on time.

Thank you, Mr. Chairman.

The Chairman: This is my question then, it is a bit speculative but, just to ask your honest assessment: Do you think they have an appreciation for just how much this is impacting the rest of government in terms of its overall financial reporting?

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

Just to go back for a few seconds, to what you asked previously and that is to say that the Ministry of Finance will obviously stand in a supportive role, any help, any assistance that we can give to any of the backlogged entities we are more than willing to do so. I do not believe that we have got any requests for any technical help that you know, would aid the process. We haven't got any requests, that I can recall, of any significance, but we do stand ready to help if we can.

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Just to add to that: There was a time previously where CIAA was even further backlogged, at which time they reached out to us for assistance with their bank reconciliations, but recently we haven't been asked to assist.

Additionally, on your other question Mr. Chairman, in regards to if they understand the impact of their delay. The current Chief Officer for the Ministry of Health was a former CFO and that has actually exacerbated the problem, obviously, because her skills are now being focused on policy matters, which is part of the reason for the delay.

While they fully understand it, they have had resourcing issues for the last few years, but I think at this point, resourcing issues are not sufficient explanation for the continued delay.

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, if I could just add to that quickly, sir.

There are two fora at which the importance would be discussed: [One] is the meetings that the Honourable Deputy Governor has with Chief Officers. This area is discussed and it is known to Chief Officers that any delay in their accounts will impact the entire public sector. We have discussed that before. We have discussed the other reasons for an adverse opinion at the Deputy Governor's meeting with Chief Officers.

The other forum, Mr. Chairman, would obviously be at the Cabinet or Caucus level in which the Minister for Finance would discuss the entire public sector. He would make the impact clear to his Cabinet colleagues and the Minister responsible for the entities that are backlogged would obviously be present. I think those are the two fora in which the importance would be discussed as well as, you know, Chief Officers and CFOs can be in direct contact with the Ministry of Finance on the effects of their backlog.

The Chairman: Thank you, FS and Mr. Tibbetts, for your responses to the question.

Now I want to move on to the next line of questioning, which concerns the Public Authorities' Act section 47, and for that I am going to turn things over to Mrs. Katherine [Ebanks-]Wilks who would lead that line of questioning. Mrs. Wilks.

Hon. Katherine Ebanks-Wilks: Thank you, Mr. Chair. Good morning, gentlemen.

Financial Secretary, I will speak on the Public Authorities Act. The Auditor General has recommended that the government needs to consider the financial implications of Section 47 before further implementation. The Auditor General made a similar recommendation in the performance audit report titled *"Improving Financial Accountability and Transparency: Financial Management and Transparency"* in May 2021.

We note that the management response to the earlier recommendations was that the government agreed and accepted the recommendation. However, it appears the government's response may have only been in relation to the Public Authorities Act as it relates to the salary scales, and did not extend to section 47(3), the non-monetary benefits of pension and healthcare.

I am wondering if you can say what the Ministry of Finance's views are on the sufficiency of funding provided to SAGCs for the implementation of the Public Authorities Act as it relates, again, to the salary scales and the non-monetary benefits of pension and healthcare.

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

Mr. Chairman, through you. The answer is that there is no specific appropriation in the government's budget dedicated for what the Honourable Member just spoke to. There is no budget line that speaks to that at all.

I can say that a few Statutory Authorities and Government Companies have actually come forward to the Cabinet requesting supplementary funding to cover the additional costs which they themselves had not budgeted for, so I am aware of a few that have requested supplementary funding in order to carry out the Public Authorities Law's section 47.

Therefore the answer is: There isn't a specific provision in the original appropriation law for [20]22 and [20]23, but Cabinet papers have been presented very recently to seek Cabinet's approval for supplementary funding. I think the points that the Auditor General makes with respect to health care and pension costs that has not been the focus of the Statutory Authorities' attention. It is a valid one, and she makes mention in her report of the Health Services Authority going ahead with the pension element as opposed to the remuneration element.

Those are valid concerns and points, Mr. Chairman and, apart from what the Auditor General is suggesting in her report, the government has not actually made, to my knowledge, a detailed assessment as to what the cost of implementation will be. We have started to see requests come in to Cabinet for assistance in meeting those obligations.

The Chairman: So FS, if I could just ask a supplementary.

Have they been able to deal with any of these requests in a positive way, or just dealing with them on a one by one basis as they come?

[Pause]

The Chairman: Bear in mind FS, I do appreciate that in these cases, you know, the sums are likely to be quite substantial.

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman. I'm struggling a bit, [I could certainly research it and get back to the committee?](#) I'm struggling a bit too to answer definitively whether Cabinet has actually approved the request thus far. They may have done so, I simply cannot say definitely yes or no right now, but I know the requests have been made. [I will research and I will come back to the committee.](#)

The Chairman: That's fine, sir.

Hon. Katherine Ebanks-Wilks: Thank you, FS. I just have one other question in relation to the financial implications. Has government considered the full financial implications of implementing section 47 if all SAGCs adopt the civil service's pension and health benefits?

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

Mr. Chairman through you: Not to my knowledge there has been any formal assessment done of the cost implications. I am not aware of any such assessment.

Mr. Chairman as I said earlier, I think an impartial answer to the member's question is: we're beginning to see the inklings of it by the requests coming forward to Cabinet, but there has not been a wholesale request. If I want to be hard on the Ministry of Finance, you know, we could make the comment, *well, that should be an initiative that the Ministry of Finance should undertake on behalf of the government.*

Hon. Katherine Ebanks-Wilks: Thank you, FS. I just have one follow up question in relation to that.

Could you confirm, if that assessment takes place, would that then remove the need for all of the supplemental funding requests in relation to the non-monetary benefits that are not budgeted for in the budget period? To clarify, sorry – that are not indicated in the line items when the budget has been completed?

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

Mr. Chairman, if such an assessment is made, then obviously what that does is to establish the monetary value of any assistance that the government may have to render. It establishes what the cost of implementation to the statutory authorities will be.

We have one more year, the 2023 year, left in the present budget period to deal with for example, that will be the next opportunity to deal with the cost. I am fairly certain that some authorities are going to be able to cope with the costs on their own, but quite a few are not going to be able to cope with it and are going to request assistance from government.

The assessment in itself is not going to eliminate the need for help by the government. Perhaps it is going to do quite the opposite, it is going to highlight that there is a need for government to assist the Statutory Authorities and Government Companies in meeting these obligations.

Certainly, it would be a useful exercise for the next budget period—the financial years [20]24 and [20]25. It would be a useful exercise for that budget period and for government then to budget, if necessary, in [20]24 and [20]25 assistance that can be rendered to

the authorities on this matter. I'll stop there, Mr. Chairman.

Hon. Katherine Ebanks-Wilks: Thank you.

The Chairman: Any other questions from members on this section?

I believe you will also be dealing with the non-compliance with PMFA Sections 11 and 12, Mrs. Wilks, so please continue with your questioning.

Hon. Katherine Ebanks-Wilks: Thank you, Mr. Chair.

In relation to the non-compliance with the PMFA Section 11 and section 12, the Auditor General issued emphasis on matter for paragraphs for the public bodies because of their non-compliance with sections 11 and 12 of the Act.

Section 11(5) states that, **“when an exceptional circumstance has occurred during a financial year, the Cabinet may authorise executive financial transactions for which no appropriation exists.”** The Auditor General noted that, **“for most instances Cabinet approval was obtained but there were no exceptional circumstances to warrant the authorization.”**

Section 12 of the Act requires that the authorized executive financial transactions be included in a Supplementary Appropriation Bill and this be introduced in Parliament by the 31st of March of the year following the relevant financial year. The government did not introduce this Supplementary Appropriation Bill for 2021 in Parliament by the 31st of March, 2022 as required by the Act. In relation to that, I am curious if the Ministry of Finance's role in advising on section 11(5) requests, could be elaborated on a bit, please.

Thank you.

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

Mr. Chairman through you: The Public Management and Finance Act, as the Member has stated, does allow a government of the day to deviate from the approved budget which the Parliament has passed in a prior period, and those deviations are possible under different sets of circumstances and we have different sections of the Act that deal with those.

The Section 11, subsection 5, is meant to be for genuine emergency purposes where the government of the day could not, when it was formulating its budget for a year, foresee the need for such circumstances arising, and therefore didn't budget for it, but it's a genuine emergency and it has to be dealt with and dealt with quickly. That is what Section 11(5) is meant to cover—genuine emergency situations.

In the Ministry of Finance we have, for the last year or so, we have pushed back on quite a number of requests from ministries and portfolios for the use of that section, and quite often we will send a comment

back to the responsible ministry, making reference to the Auditor General's reports. Our pushback has been: *Ministry/portfolio/office, you need to demonstrate in the Cabinet paper itself, why you feel that the circumstance is a genuine emergency. You need to justify that; you need to state that explicitly in the Cabinet paper.* We have been giving that feedback consistently now, for at least a year plus.

The other avenue, Mr. Chairman, of getting Supplementaries for a government is a different section, Section 12 of the Public Management and Finance Act, and that involves the Minister for Finance coming before Finance Committee, making the request known to Finance Committee and seeking their approval, and that has been done in many instances, Mr. Chairman.

So in the current 2022 Financial Year, yes, there have been approvals for supplementary expenditures under Section 11(5), there have been, but the lion's share of the Supplementaries were actually done under Section 12, in which the government would present an agenda to Finance Committee [and] in that meeting of Finance committee approval would be granted. If you give me a second, Mr. Chairman, I could indicate some of the numbers that we are speaking of.

Mr. Chairman and Honourable Members, just as an indication. For the current 2022 financial year, the Section 12 approvals total \$63 million and some of the big ticket items there were: \$15 million for the tourism stipend; \$8 million for tertiary care at local and overseas institutions for health care; another \$16 million for the same purpose at a later date; public health programmes, investigations and treatments, \$12 million. So the lion's share of the supplementary expenditure have actually been in front of Finance Committee.

The Honourable Member is quite right in that as a Ministry, we need to take those approvals that have been made under Sections 11(5) and 12 and put them conveniently into a Supplementary Appropriation Bill, and the Act requires that that Bill be presented back to Parliament by the 31st of March in a following year. For the year 2021 that was not achieved, and so the Auditor General has a legitimate point in saying the Act was not complied with and she has drawn reference to that by adding a paragraph in her audit opinion that emphasizes that point in respect of 2021.

Also, Mr. Chairman, we need to do a second Supplementary Appropriation Bill for 2020. We aim to do that either in the Parliament Meeting coming up in December or shortly thereafter, but we do not intend to get caught out with missing the 31st of March deadline in the future. I hope that answers the question; if there are follow-ups, certainly I would be happy to answer them.

Hon. Katherine Ebanks-Wilks: Thank you. I do have a follow up, I was just going to ask if you would be able to provide a little more background or reasoning on why it was filed late that particular year. And I noticed you just said that there was a second one for 2020. If you

could also share with us, if maybe there was some unforeseen circumstance that may have caused the delay with filing them.

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

Mr. Chairman, through you to the Honourable Member, other than the sheer volume of work Mr. Chairman, I can't think of a specific reason. Obviously the frequency, the timing of Meetings of the Parliament would impact that as well and would have a bearing on whether that date is complied with. I think it is just the sheer volume of work to be done.

We are obviously talking about a year in which a general election took place. We had reorganisation, as the Auditor General has said, of many ministries, portfolios, and offices which led to seven, at least seven more entities, coming on stream. It was just a really busy time; but we aim to address, address and correct that, as quickly as we can.

Hon. Katherine Ebanks-Wilks: Thank you very much. Just to make a comment on what you are saying: It sounds like much of it is just timing, workload, and capacity. The other question that I had here was in relation to measures in place to ensure compliance. Barring that you don't have those circumstances to deal with, are there any measures in place, within your control as Ministry of Finance, to ensure that you are able to file within the requirements for Section 12?

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Thank you, Mr. Chairman; through you to the Honourable Member.

Obviously our knowledge, the fact that we are aware of the deadline, would be the measure in place to prevent it from happening in the future. Obviously there isn't a general election planned until 2025, so that certainly wouldn't be a factor going forward. And the fact also that we have the audit office making the reports and pointing that out would also help us to be reminded, if that were necessary, that the date need to be met. We certainly will tell our Minister for Finance, as well, of the need to meet the date.

We do have the Supplementary Bills prepared for the relevant years, Mr. Chairman, and we are either going to present them to the Parliament in its December Sitting or the one thereafter, but certainly we do not plan to go beyond the 31st of March, 2023, certainly, for the [20]22 year, and all prior Supplementary Appropriation Bills for the [20]21 year, and the second one for 2020, to be dealt with.

I would also add, Mr. Chairman, that it is an administrative tidy-up exercise for the Parliament's knowledge because, when the [supplementary appropriation] bills are presented to the Parliament, part of the normal process is that the Schedule to those bills

will go back to Finance Committee and it should be a relatively quick process because Finance Committee would have seen those same items approved a year earlier, so there should not be anything new to the Committee, for example in 2023, in respect of what is being presented for 2021, because the Committee under the section 12 process would have approved those a year earlier statements.

In respect of the Section 11(5) approvals that are done by Cabinet, the Parliament would have been informed of those items by means of Honourable Ministers and Members making statements in the Parliament, that they have carried out these expenditures under the Section 11(5), so Parliament would have been informed previously of both the Section 11(5) approvals and the Section 12s. The function of the Supplementary Appropriation Bill is to put all of those approvals into one convenient document (the Bill) and present the Bill back to the House of Parliament for review, but there should not be anything new in those Bills for the Parliament.

Hon. Katherine Ebanks-Wilks: Thank you very much, Financial Secretary. I don't have any further questions.

The Chairman: Thank you, Mrs. Wilks.

We are going to move on now to the topic of the re-evaluation of property plant and equipment. For that line of questioning, I will turn to Mr. Isaac Rankine, who will lead that line of discussion.

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

The Financial Regulations require that all public bodies to do a revaluation of their property and plant and equipment every five years, as this ensures compliance with the International Public Sector Accounting Standards (IPSAS).

The Lands and Survey [Department] did a revaluation of the property in January 2021 but there were attributed delays in its completion that led to the submission of poor financial statements for the audit that needed to be significantly updated after submission. And then that created serious challenges to the completion of the audits by the statutory deadline of 30th April, 2022.

The Auditor General noted that these delays were in part due to the lack of leadership by the Ministry of Finance and Economic Development. She noted that this Ministry should have driven this process and have it completed before the financial audits commenced, and she also made some recommendations.

The question is, what is the guidance and support issued by the Ministry of Finance with regards to revaluation of property plant and equipment?

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

the Honourable Member's question, I am going to ask the Accountant General to please address that one.

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

The Lands and Survey Department completed the revaluations in November 2021 so the revaluations weren't by any means late, they were ahead of time. However, in 2021 we kind of had a perfect storm in that we had the reshuffle of Ministries and so the ownership of assets and the recognising and the transfer of those assets in the system caused delays as the CFOS were quite busy trying to settle into their new Ministries and then fully understand what assets were transferred to them and so on, and for the Lands and Survey department to fully understand what assets belonged to who. So there was a bit of a challenge in 2021 year.

I appreciate the Auditor General's recommendation, it gives us a clear steer that in future we actually should do it a year in advance of when we actually need it, to ensure that we have sufficient time to ensure that the changes are introduced far in advance, I guess, of the financial reporting period.

Our role in the revaluation: The Standards require 3 to 5 years. Currently we did it, I think, at the 4.5-year period. We did a revaluation and that allowed us to provide a new date. We do this as a centralised thing, to ensure it is carried out for the entire government. In the past we found that when we left it to individual ministries and entities, that is those in the SAGCs, it was only done randomly and not on a consistent basis, so we took the lead back in 2016 I believe it was, the first time we did it. We took the lead—essentially, we covered the costs, et cetera, of the revaluations to ensure it happened.

The first time around we had some SAGCs that kind of held out, such as Ports Authority who said, *"Well, we have very unique things where we want to do our own revaluations"*, but this time around we took a stronger lead on it and said, *"No, we are going to do everything centrally because in 2016 that resulted in further delays to the revaluation process"*. So we wanted to ensure that we took everything centrally and got everything done within the time frame and Lands and Survey did a very good job of completing it by November, 2021.

What Lands and Survey has advised, is that the issues they saw, were that the timing being November of having the reports finalised, leading to December, a period when so many people are off on leave and so on, and then being thrown into the reporting process immediately afterwards (the reporting process is January and February, and then the audit starts March to April), it didn't give CFOs sufficient time to review and ensure the accuracy of their revaluations—when I say accuracy, ensure that the proper ownership was transferred to them coming out of the reshuffle. And so this resulted in CFOs not been able to properly evaluate

these assessments and the completeness of their registers until March or April of 2022.

As I said, it was kind of a perfect storm in 2021 with the reshuffle as well as the revaluation at the same time. And so, from this, we are going to take a different approach next time, do it further in advance so that it won't result in this kind of perfect storm again, so that we can front-load it to get the revaluations done before any kind of reshuffle, because the asset values won't change as a result of a reshuffle, it is just the ownership transfers would have to be carried out then, following any kind of reshuffle.

There are some lessons learned by the Ministry here, and we are happy to take them on board and improve the process going forward.

Mr. Isaac D. Rankine: Thank you for that very comprehensive answer because it answered some of the other follow up questions that I was going to ask, but just to summarise: With your lessons learned, and barring any unforeseen circumstances, the next audit will be completed in a timely manner?

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

Yes. I mean, we did a proactive approach this time but we actually would like to start the process probably a year earlier on, and that's earlier than it needs to be based on the standards. However, because of the result we saw here, we don't want to have this knock on to another issue and end up in a situation where people are not getting their accounts signed off in time and so on.

We have learned that lesson. We want to make sure we start about a year earlier than we normally would, so probably year four instead of a 4.5 or 3.5 year period because it does take a long period of time considering the number of properties the government has. It does take quite a substantial amount of time to get the revaluations completed, so I think this time around we will start at year 3.5 or 4, to ensure that [in] the six-month window of completing revaluations we can manage the process, and CFOs have time to digest it and sift through it to ensure its accuracy.

Mr. Isaac D. Rankine: Thank you, sir, for that commitment. I have no further questions on that topic, Mr. Chairman.

The Chairman: Thank you, Mr. Rankine. Thinking a little bit here. Just out of curiosity—how many entities or valuations are they undertaking? Just give a flavour for the magnitude of the task.

[Pause]

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

Chairman, I actually brought the report with me that has the full list of properties evaluated, but I'm having trouble locating it right now.

I don't recall the exact number, but there's 70-something agencies and most of them have numerous assets, including Lands and Survey which would have the Crown properties, and that list is extensive. It's over 600, was the last number I remember so it's quite a number of revaluations and it is quite expensive as well. It's a few hundred thousand dollars for us to complete the revaluations, but the Ministry of Finance takes that on as us trying to take on the leadership role of coordinating this effort. [I can get the exact number for you, Mr. Chairman.](#)

The Chairman: And then...What happens with the roads infrastructure? Are they valued as well and included in government accounts?

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Mr. Chairman, that's an issue we are still working on.

The National Roads Authority works with Lands and Survey on that valuation. However, the audit office has expressed some concerns and wants further documentation in regards to the methodology to ensure that it is a complete methodology.

The National Roads Authority entity are the experts in revaluating roads; their assessment includes the actual roads as well as what is called the road furniture which is all the signage, sidewalks, et cetera. Then they have to go through a process of determining the cost of the land, the cost of the different layers of the road and then the furniture as well.

It's quite an extensive process, but it is some more work we need to do with National Roads Authority to provide the audit office with a detailed methodology of their approach to the revaluation, to ensure that it meets their requirements. It is quite challenging, but the National Roads Authority is who works with Lands and Survey on that.

The Chairman: Okay, thanks very much. That gives me a good indication as to the complexity of it—thank you. Any other questions from Members at this point?

We're going to turn next to the financial results of audited public bodies and also talk about the tabling of annual reports. Ms. Barbara Connolly is going to lead those lines of questionings. Ms. Connolly.

Ms. Barbara E. Connolly: Thank you, Mr. Chairman; through you to our witness.

In 2021, sixteen out of nineteen core government entities audited had recorded surpluses. Our understanding is that surpluses should be paid back to the treasury. Can you say what are the requirements and processes for core government entities to pay back surpluses?

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

Mr. Chairman, through you to the Honourable Member. The Public Management and Finance Act dictates that a ministry, portfolio, or office that makes a surplus at the end of its financial year – the law dictates that the surplus essentially be paid back to the government—and I am conscious of the fact that, you know, a member of the listening public might not quite understand that.

What it essentially means, is that, it is best to explain it by saying the surplus will translate into a certain amount of dollars in a bank account, and each ministry/portfolio has its own bank account, and in fact, several bank accounts. The transfer simply means that the individual ministry or portfolio is to take money from its bank account and put it back into a bank account that is kept for the Cabinet or the executive, or at a parent level so it's an internal transfer within our books. That is the best way of explaining it: the surplus is meant to be returned to the government.

The Public Management and Finance Act specifies that if a ministry or portfolio wishes to retain any surplus that it has made for a year, the Act says that that ministry, portfolio or office has to seek the permission of the Minister of Finance to keep the surplus for itself.

Mr. Chairman it is infrequent, we don't get many requests to the Minister for Finance to retain surpluses. There are a few, but by and large it's more the exception than the rule, and obviously I'll be completely honest with the Committee by saying that, although the Act requires that the transfer of surpluses to Cabinet actually take place, thus far we have not insisted.

[Inaudible interjection]

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Sorry; I correct that, Mr. Chairman. Recently, the Ministry of Finance has essentially gone into bank accounts from ministries and portfolios and stripped out their surpluses, unless they asked to retain them, and put them back to the Cabinet.

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Sorry, Mr. Chairman, just to add to that if I could.

I don't want the public to think that these are funds sitting in ministries and these funds are just sitting there. The Treasury Department invests all of these funds, whether they are being held by a Ministry or being held centrally in the Treasury Department. So we're investing these funds daily—well, not in the daily term, but over a term—and so we are still getting a return on this investment.

Despite it being held in Ministries, the government is still making money on these funds, it is just

where within the government it's allocated out to right now. This is bringing the funds back into government then, but we still invest despite the fact that the Ministry may have access to the funds at this time, we invest all those in fixed deposits for anywhere between three months and a year period of time.

Probably, just to put this in perspective, in total we have over a hundred bank accounts in government and so, those funds are all pooled in regards to our investments though, so it is a situation where we are not just letting funds sit idly by. We are actually investing, getting a reasonable return on them.

Thank you, Mr. Chairman.

The Chairman: And if I could just ask a Supplementary too, with regard to it. I know what the law says with regard to the surpluses, but, what happens when a Ministry or Portfolio actually has a deficit for the year?

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

First of all, the Act does specify that ministries, portfolios, offices do not make a deficit, they should break even at worst, but if a deficit does occur, and it could occur for reasons other than the normal day to day activities of a ministry or portfolio—it might occur because of revaluation of assets as an example. If a deficit does occur, it is not the end of the world for that ministry, portfolio or office, in the sense that the funding is still available because the government as a whole, has positive cash balances and certainly, the ministry, portfolio or office in question would let it be known to the government that there was a deficit.

We are obviously talking about, you know, into the following year after the deficit has happened, and in that new year, the ministry, portfolio, office would be conducting activities for that new year for which it would be earning revenue from the Cabinet, and so revenues for that new year would be going into its bank account so it's not as though its bank account is in overdraft for a long period of time.

I hope that answers your question, Mr. Chairman.

The Chairman: Yes, it does, but I guess more for information purposes as well.

I understand; I mean and I know from time to time that they do end up a year with a deficit, but would they be allowed to recover that in future years or do they just continue to carry forward that deficit?

And in line with that, could there or would there be a circumstance where they do end up with a deficit and might have to seek funding to cover the deficit?

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Mr. Chairman, there are a few different remedies for this kind of situation. Generally, you'd have a supplemental

budget which would provide them with additional funds to cover any additional expenditure. However, that is to be done in advance, it should not be done after the fact.

However, if we end up in a situation where we've crossed the year end now and we're \$100,000 in deficit, we would have to have a situation where we provide them with an equity injection then to bring them back up—to top them back up so they wouldn't operate in a deficit situation going forward, but generally it should always be done in advance through a supplemental budget if we see an additional expenditure coming that wasn't expected.

Thank you.

Ms. Barbara E. Conolly: Through you, Mr. Chairman. My next question is, can you indicate the number of entities that recorded surpluses in 2021 and how many have actually given back the surpluses to Treasury?

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, through you. I do know that the Auditor General's report has an exhibit that answers that question.

Sorry, Mr. Chairman, thank you. On page 53, of the Auditor General's report, exhibit 20 is a listing of the various entities in government for a 5-year period actually, ending in 2021, and we see that there are three, three entities that actually had a deficit for 2021. All of the others had surpluses for 2021 and so, if there are 24 ministries, portfolios and offices and three had deficits, then approximately 21 had surpluses for 2021. One additional second, Mr. Chairman.

[Inaudible interjection]

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, thank you. Just following on from what we were discussing earlier, those 21 entities with surpluses would be required to return those to the government, [and the Accountant General has just said that he's getting a status update as to whether the surpluses from those 21 entities have all now been taken back into the Cabinet.](#)

Ms. Barbara E. Conolly: Okay. I have one other question relating to the government entities. So, if an entity requests that they retain their surplus, do they give a justification as to why they need that surplus?

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

Honourable Member, as I said earlier it's more infrequent than the norm but often times in finance, we question why. The initial request need not necessarily be very expansive by the requesting agency. We then say, *well, why do you wish to keep the surplus?* And so

there is a continued back and forth. Usually the answer is that there is a great need for cash in the subsequent year, as to why they wish to retain the surplus; they have expenses that they didn't foresee taking place, and so they need to retain the surplus for use. The surplus actually translates then into cash that they are able to retain and to use for their purpose but usually, it is we have unforeseen expenditures coming up that we would like to address.

In addition to that, another reason often given is, *well, we've had deficits in the past and so we simply want to catch up with those deficits by retaining surpluses*, but it's usually to do with expenditure levels.

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

Just to add to that, the law requires that the Minister of Finance approves anyone withholding back their surpluses, so there would have to be at a level that the Minister of Finance would satisfy himself that there is a justifiable reason for them to hold the surpluses so we would provide as much information as possible to the Minister, and then he makes the final decision as to whether that's a reasonable reason for holding the surpluses.

Thank you.

Ms. Barbara E. Conolly: Thank you for that explanation.

Moving on now to SAGCs. We also noted that 17 out of 24 SAGCs recorded surpluses, 6 recorded losses, and 1 broke even. Five SAGCs recorded most significant surpluses:

- The Health Services Authority;
- The Port Authority of the Cayman Islands;
- Cayman Islands Monetary Authority;
- The Segregated Insurance Fund; and
- The Civil Aviation Authority.

Can you indicate the number of SAGCs that recorded surpluses in 2021 that have paid dividends to treasury?

[Pause]

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Sorry, Mr. Chairman. Just trying to find the relevant section within the Auditor General's report.

[Inaudible interjection]

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman, thank you for the time delay. The number of statutory authorities and government companies has not changed following the election. That number is 26 statutory authorities and government companies. And on page 57 of the Auditor General's report again you have a period of time shown

there. And in respect of the 2021 year, there is a recorded deficit for Cayman Airways, which is one; the Cultural Foundation, two; the Turtle Centre, three; Housing Trust, four; NRA, five; Pension Board (minimal), six; and the Water Authority, seven—so seven, from what I can see, had deficits. The other 19 had surpluses.

Mr. Chairman, the precise number of SAGCs returning a dividend to government, I don't have to hand. [We can certainly get that for the Committee](#), but I can say that, Mr. Chairman, the authorities that do consistently provide a dividend to the government would certainly be the Stock Exchange, would be one that year after year provides a dividend to the government, and also the Civil Aviation Authority also provides consistently year after year a dividend to the government. The Monetary Authority, as well, will provide a return to the government after securing the level of provisioning that it needs to have in its currency operations, et cetera. That occurs as well.

Those are the main ones. [We will certainly get a precise listing for the Committee](#), but Stock Exchange and the Civil Aviation Authority are the consistent dividend providers to the government year after year.

Ms. Barbara E. Conolly: Thank you. FS, you mentioned the government entities and their deficits. Would that also apply to the public bodies, the SAGCs as well, because the question is: what factors led to these deficits in terms of the SAGCs, these that are stated on page 53 of the Auditor General report?

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Mr. Chairman through you, could I ask the Honourable Member to elaborate a bit more? I am not clear on the question.

Ms. Barbara E. Conolly: Okay. For the public bodies reporting deficits, can you indicate what the factors are that lead to these deficits in the SAGCs.

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

Mr. Chairman I would say it's certainly for commercial reasons. Let's just address for the moment the dividend aspect: We do have a formula that dictates to Statutory Authorities and Government Companies the surplus that they would make, whether any of that has to be given back to the government. There is a formula for that; but in terms of the factors that would cause a statutory authority or government company to make a deficit as opposed to a surplus, I would think they would largely be commercial.

If we take Cayman Airways as an example, which is the very first one shown on page 57 with the deficit, it would be their normal course of operations that their revenues didn't match their expenditures and,

certainly, it is the case that the government's relationship with these entities in terms of many of these will provide services to the government for which the government would pay those authorities and that relationship would get regarded as revenue for the statutory authority so I can't state that the reason for the deficit in any of these SAGCs would be because of a lack of government involvement.

It would be more non-government reasons, transactions that the authorities would undertake that would cause them to suffer a deficit.

The Chairman: FS, you don't mind if I press a little more on this. I look through the list, and there is only one that really jumps out at me and that's the Water Authority, which, you know, seemed to have had a surplus consistently year after year, but then in 2021—boom! We see a substantial deficit for that year. Can you shed any light on that?

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

Yes, it definitely looks very odd on page 57. I think the Auditor General in her report actually gave the reason for that, and I'm relying on memory now because the audit office's report is 60-plus pages, but I seem to remember that it arose because of a re-measurement and perhaps the Auditor General can confirm, deny or clarify. I remember reading that it was as a result of a re-assessment of its healthcare liability.

Mrs. Sue Winspear, Auditor General: Yes. That's absolutely correct, Financial Secretary.

Through you, Mr. Chairman, the middle of page 2 covers it first, where we summarise. So, at the end of the third paragraph, the deficit for the Water Authority was primarily due to the re-measurement at the post-retirement employee healthcare liability. The Water Authority's liability increased by 90 per cent to \$46.2 million in 2021.

The Chairman: Okay, I found that—thank you very much.

Mr. Kenneth Jefferson - Financial Secretary and Chief Officer, Ministry of Finance and Economic Development: Obviously Mr. Chairman, we would not expect that to recur at that level going forward in the future.

The Chairman: Thank you, sir.

Ms. Barbara E. Conolly: One last question, through you, Mr. Chairman. Does the Ministry of Finance have any concerns about the public bodies recording year on year deficits, and what is your role in assisting them to address their financial performance?

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

Yes, there is an obvious and clear concern if the deficit continues continuously because, obviously, what is going to be ultimately required is that public funds, via the government, are going to be used to sustain the operations. And it's not normally the best use of the public funds. There are exceptions Mr. Chairman, but generally, it's not generally good use of the public funds to be used to sustain a deficit-making operation continuously. And so the role of the Ministry of Finance is, first of all, to inform the Minister for Finance that it is taking place. It is to suggest to the Minister for Finance that action needs to be taken in order to correct that.

Two examples, Mr. Chairman, obviously come to mind. In her report, the Auditor General mentioned the Sister Islands' Affordable Housing Committee, in which there is not the best use of public funds in the sense that it hasn't carried out any activities, hasn't built any homes, et cetera, but yet there are costs being incurred and so the question is, should we continue on with that organisation.

The other one that comes to mind, Mr. Chairman, is the Cayman Islands Development Bank which, over the years, public funds have been channelled to the Development Bank and as normal, those funds have been loaned out. But a substantial portion of those funds that have been loaned out are now impaired and compromised, and the provisioning for those are quite heavy, and so the Development Bank is not operating at the level that it possibly could operate.

The Minister for Finance has indicated that he would like a review of the Cayman Islands Development Bank's activities and there is a regional development body that has been asked to look at how the Cayman Islands Development Bank could pursue other activities, more akin to a development bank that would lead to a better financial standing for the bank. That is to take place.

So to answer the Honourable Member's question, in summary, the Ministry of Finance would advise the Minister for Finance that the losses, the deficits are ongoing, and it is not the best use of the public's funds to continue to go into a deficit-making organisation.

There are exceptions obviously, Mr. Chairman, to that, particularly if it is in the realm of public health, for example, would be an area where perhaps it would be acceptable for those funds to be used, if the organisation was in a deficit situation for a long period of time.

Ms. Barbara E. Conolly: Okay, I'm moving on now to the tabling of annual reports.

Public bodies are required under the PMFA to lay their annual report containing the financial statements and audit opinion in the House of Parliament no later than five months after the end of the year. This is

the pivotal stop that completes the accountability chain. Despite some recent improvements, there continues to be a delay in tabling financial statements and associated annual reports in the House of Parliament. This is not the first time that the Auditor General has commented on this. The government has previously stated that it would resolve this issue by May 2022.

My question is, what are the reasons for current delays in the tabling of annual reports after May 2022 implementation date?

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

Through you to the Honourable Member. Yes, we accept the validity of the point that the Honourable Member and the Auditor General have raised. The report certainly does a good job at Appendix A in the report, spanning from page 34 through to page 39, which includes the Statutory Authorities and Government Companies as well.

Mr. Chairman, I guess the reasons for the delay are manifold. One is often times that the annual reports have to be approved by the relevant board if it is a statutory authority. It has to go to the Caucus, it has to go to Cabinet, and then it gets sent to the Parliament for Tabling and, obviously, depending on the timing of the Meetings of Parliament they might reach the Parliament at the time when the Parliament is not meeting and therefore it doesn't get Tabled.

I know the Auditor General has some views too, as to whether we should change that or not in terms of the Standing Orders and so forth, and I think those views are valid. Those are some of the reasons Mr. Chairman that I would know of—the time it takes to prepare the annual report, the approval process by boards, by Caucus, by Cabinet and the actual submission of the reports at a time when the Parliament may not be in session.

We continue, Mr. Chairman, we do continue to press this from the Ministry of Finance. For example, the Accountant General reminded me that we sent out emails to Chief Officers in February, reminding them that based on the Auditor General's report, at the 30th of November 2021 there were 45 annual reports that were not tabled in Parliament. We sent out an email imploring that whatever annual reports were available be sent.

A few of the responses coming back have been that they didn't quite agree that their annual reports were outstanding so we got into a situation where there was reliance on how timely the Parliament's website was updated, if that was the reference document. We have moved away from that now in the sense that the audit office's composition of Appendix A now is more along the lines of Order Papers—whether the item is stated on Order Paper.

As recently as this week, Mr. Chairman, myself and the Acting Deputy Governor, we wrote to Chief Officers as well, imploring the tabling of annual reports. We actually sent Appendix A to them to show the relevant outstanding annual reports. A lot of the responses coming back, Mr. Chairman, is that the relevant agencies are aiming for the presentation of their annual reports in the upcoming December Meeting of Parliament coming up now. A few of them actually said that—and I have this available in hard copy; a revision, an update to the Appendix A to record the recent responses.

A few of them have actually said, *well, we Tabled our annual report on the 7th of October, whereas the Auditor General's report that we are dealing with now is dated the 6th*, so one day apart. A few of them, which the Committee will see, say that the reports have actually been tabled on the 7th of October and quite a lot more said that they are aiming to have their reports presented in the upcoming Meeting of Parliament in December. Having said all that I still must say, fairly, that there are probably more blank spots than there are Tabling dates that I see before me.

We continue to try, Sir, to get the annual reports tabled in Parliament, because we do understand the importance of it even at the EPS levels, Sir. The Auditor General's report obviously makes it clear in Appendix A that the entire public sector annual reports for earlier years still have not been Tabled and we certainly intend to do that in the December Meeting of Parliament.

Ms. Barbara E. Conolly: Thank you, FS. Just one last question on the reports: What challenges, if any, arise from the Tabling of annual reports if they are not tabled in a timely way? What challenges do you all have, as a result of them not being tabled?

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

Mr. Chairman, the one challenge would certainly be that there would be non-compliance with our Act. The Public Management and Finance Act says that the annual report should be tabled five months after the end of the financial year so, typically, by the 31st of May, so [one] challenge would be non-compliance.

Another challenge would be [that] the Members of Parliament and the public would have the same concern in the sense that they are not well aware of what a particular ministry, portfolio, or office has been doing – its activities, how it has used public funds, how it has performed in relation to what it set out to do in budget documents. That would be a challenge if it is not presented timely; if it is presented two years after the date, then the information loses its usefulness. Those are the clear challenges that result from that.

The Parliamentarians and the public lose confidence in the process that they become aware and become knowledgeable of how their funds have been

spent—what ministries and portfolios are achieving for the use of those funds. Mr. Chairman, the Public Management and Finance Act specifies not in any great level of specifics, but it's sufficient to allow the application of good sense, good judgement, to result in annual reports that are useful to the public.

It actually says in the Public Management and Finance Act that the annual report is to contain not just financial statements, but it is to contain an explanation as to how well actual performance compares with what was budgeted and to give explanations for variances. That is probably as detailed as it gets, but that allows quite a degree of flexibility in what the annual reports cover.

Those are the challenges that arise from annual reports not being presented on time, Mr. Chairman. Non-compliance with the Act; Parliamentarians and the public not knowing what ministries, portfolios, offices, are doing; how public funds are spent; and how they are performing.

The Chairman: Okay, we need to move on now to the next area of questioning, that's speaking now on examining the status of the EPS audits. That line of questioning will be led by Mr. Dwayne Seymour. Mr. Seymour.

Mr. Dwayne S. Seymour: Thank you, Mr. Chair, and good morning to you all.

The report itself, Mr. Chair through you, highlights that the entire public sector accounts have received adverse or unfavourable audit opinions because of various issues for at least the past three years. It is time for the government to focus on improving the quality of the entire public sector consolidated accounts to move on from an adverse audit opinion.

The Auditor General recommended that **"The Ministry of Finance and Economic Development should develop and implement an action plan to improve the quality of the entire public sector's consolidated financial statements. The action plan should set out a roadmap for moving to a qualified audit opinion in the first instance and an unqualified audit opinion in the longer term."**

The Ministry had previously agreed with this recommendation and committed to having a plan in place by the end of June 2022. The Office of the Auditor General has informed us that the Ministry shared the plan and roadmap with them in October 2022. We are also aware that one of the reasons for the adverse opinions relates to the non-disclosure of the \$2.3 billion post-retirement medical liability.

The disclosure of such a liability is a requirement of Accounting Standards, which you all know too well. Without making such a disclosure, the entire public sector accounts will not achieve a clean audit opinion. Can you say whether the plan addresses all the qualification points raised by the Auditor General?

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

Mr. Chairman, I am going to address at least one aspect of what the Honourable Member just asked, and then I am going to ask the Accountant General to speak to the plan as a whole.

The Honourable Member just mentioned one very, very, important aspect that led to the adverse opinion, that is the non-recognition of not only the healthcare liability, which he correctly stated to be in the region of \$2.3 billion, but there is also the cost of recognition to go along with that.

The magnitude of the cost recognition is anywhere between \$100 million and \$200 million annually. And on the liability side the \$2.3 billion that the Honourable Member just mentioned, that is enough to eliminate the government's net assets which are currently at about \$2.1 billion. If you put that squarely on the face of the balance sheet, Mr. Chairman, a liability of \$2.3 billion will remove net assets of \$2.1 and you're into negative territory. That is the context of what we're talking about, the magnitude of what we are talking about.

The positive news that I would give to the Committee, Mr. Chairman, is that just this morning I had a verbal discussion with the Minister for Finance about this particular area, because it is significant, and he said that he would be willing to look at the recognition of the liability and to look at the recognition of the cost that would result from fully complying with IPSA's, International Public Sector Accounting Standards requirements in this area.

He said he was willing to do so, he wants to have a discussion with the actuaries as to what the magnitude would be in the future because Mr. Chairman, as an accountant, you would know that in addition to the normal cost of recognising this, which could be in the region of as I said anywhere between \$100 and \$200 million, and this is additional cost over and above what you do day-to-day, there are also the swings that will result from changing actuarial and demographic assumptions.

That magnitude is so great, that it's possible that in one year you could have a cost and in the next year, essentially, you could have a credit and so the accounting for it is perhaps not easily straightforward. We were having a discussion about the normal cost of recognising these obligations. We could bring that onto the statement of financial performance and then the significant swings that result from changing assumptions, and so forth, that could be accounted for through, like the equity section—because, if the government's operations are not changing fundamentally from one year to the next, it would be kind of ludicrous to have a situation in which the cost associated with it one year is a cost, and the next year is a credit and essentially becomes income. When I say credit, it becomes income. That would be not a good situation where the operations of the government are not changing.

Mr. Chairman, for the public's benefit I will close on this particular topic by saying [that] what we are saying in terms of the recognition is that, each year that a civil servant continues on as a civil servant, that year of service is essentially accruing a future benefit that he or she will have post-retirement; so in 2022, I am pursuing a year's activity with the government, but that year is going to benefit me (or any other civil servant) post-retirement and we should be recognising, in 2022, the fact that that year is going to benefit me in the future.

We are not doing that right now. We are not recognising that future benefit now. What we are recognising now is the premiums, the premiums that the government pay to CINICO to cover my coverage today. That is what we are talking about, the additional cost so it is not just the cost of CINICO premiums that the government pays for civil servants but, in addition to that, we need to recognise that future rights or benefits are accruing in 2022 and we need to recognise that—and that is a significant figure that could easily cause the government to go from a surplus position into a debt, into an almost-guaranteed deficit position in the future.

Mr. Chairman that is why there has been some reluctance, in past years to undertake this fully, because your net assets are probably going to go to negative and your surpluses could easily become deficits. That is what I wanted to explain to the public.

I will then ask the Accountant General if he could address the other aspects of the Auditor General's report that led to the adverse opinion and the plan to address those.

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

Just to clarify, the action plan we committed to June 30th 2022 and we finalized that plan on June 29 2022. During this follow-up audit, the audit office did not request a copy of that plan, or ask if we had completed it and so we didn't provide it to them until we saw the report came out, which we weren't aware of, it came out and said that we hadn't developed a plan which was incorrect, obviously, so that is the time that the Honourable Member mentioned that we submitted the plan to the audit office. It is not because we didn't have a plan, it is just that the audit office had not requested a copy of it from us and so we provided it to them in September.

Additionally, to the Member's question, the action plan does address all of the qualifying points that would lead us, that have us currently in an adverse opinion. A number of these will take time to come into effect. One of the major changes that we are working on is the framework for budgeting and reporting, and that's in regards to merging the executive and entity orgs. This is coming out of an audit recommendation in 2013 that we merge the executive and entity orgs and

we've looked at a few approaches to doing that. However, we are now in the process of redoing our budgeting and reporting frameworks and so we have decided that we will include that into it rather than making random changes throughout the Public Management Finance Act. We will include this change as part of the change to our framework and so then we will see some significant changes at that time.

I would like to remind the Committee that the entire public sector accounts – we simply compile the accounts for the entire government, so it is not that we have control over things such as revenue, for example. Revenue completeness is a prevailing issue that we have. CFOs in every Ministry are responsible for collecting revenue and ensuring its completeness. We in the Ministry of Finance, we only consolidate that information into a set of entire public sector accounts, so we are being held responsible for something that a CFO has the authority to make changes over.

When we merge the executive entity orgs, we will see the audits being conducted then at the executive level, which means CFOs will then have the motivation to ensure their executive accounts are in order, because currently they are only producing clean accounts on their entity level accounts; so things like revenue completeness for course of revenue is going untouched by CFOs at this stage. That is a major contributor.

Just to touch on that a little further, the Ministry of Finance went as far as to get a framework developed for improving revenue completeness back in 2019, and we rolled that out to CFOs to try to assist with the process of getting them to improve the revenue completeness. That's one example of the matters that we have. [However, we have an entire EPS financial audit corrective action plan and we are happy to share that with the Committee for your review.](#) If you have any specific questions we are happy to answer those as well. Thank you.

Mr. Dwayne S. Seymour: Mr. Chair, I want to thank the FS and the Accountant General for those responses although, Mr. Chair, I don't want the public to go away with it in mind that we don't take our agreements or recommendations from the [Auditor] General's office seriously.

What I am trying to say as kindly as I can, Mr. Chair, is that if a recommendation was said to have been committed by, or to have in place by June 2022, we would have thought that the person who you agreed the recommendation with, you would have supplied a copy to them as quickly as possible to have them tick that off of their list of things that they were expecting from that Ministry or department.

To move on Mr. Chair, are there any plans for achieving an unqualified audit opinion for the entire public sector? And I note the concerns of the Financial Secretary. And also any plans to the disclosure of post-

retirement medical liability in the financial statements? Thank you.

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

The corrective action plan provides that plan of achieving a qualified, and then hopefully an unqualified, once we are able to get everything on board. As you mentioned, the prevailing issue, the biggest issue we have is the post-retirement healthcare benefit. The liability is massive and, without including that I would see it being difficult for us to receive anything other than an adverse opinion because it's so pervasive. It is a massive liability as well as a massive expense, so it impacts our surpluses, it impacts our net worth—it is a just a massive liability for us that we are not recognising. Without that I would see us having a challenging time getting anything other than an adverse opinion.

However, obviously, I am not saying that we are not working on everything else to ensure that we have everything in place to achieve a qualified, and eventually an unqualified opinion; that is why we developed a plan to ensure that we are able to achieve that in upcoming years.

Mr. Dwayne S. Seymour: Mr. Chair, I just want to thank the Financial Secretary and Chief Officer and also the Accountant General for their responses. I know the task at hand is hard. We have to do the best we can.

The Chairman: Thank you very much sir. We are on to the final segment now, which concerns departmental transfers because of the government reorganisation from 2021. For that, I am going to turn to Ms. Connolly, who will lead that line of questioning.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman. Through you to the Financial Secretary.

Following the general elections in 2021, government reorganized and established new Ministries on the first of July 2021. This meant that some previous ministries were discontinued, some departments were merged into new ministries, and some completely new ministries were created. The reorganisation process meant that department budgets, assets, and liabilities had to be transferred from existing ministries to form new ministries. This is a significant task.

However, some Ministries did not complete the transfer of assets liabilities and budgets on time, and the process was not carried out efficiently. We understand that the Minister of Finance issued post-election procedures to guide this process, but did not drive the process to ensure all transfers were completed before year end.

I note that you all did provide the post-election procedures. My question is, did the ministries not follow

your guidance, and also what was your role in driving and supporting this process?

[Pause]

Mr. Matthew Tibbetts - Accountant General, Ministry of Finance and Economic Development: Mr. Chairman through you. This comes back to the issue with the Ministry of Finance not having any direct performance management authority over CFOs and it is something that we are trying to address so that we can actually take a stronger leadership role.

At this time, our only recourse is through the Deputy Governor going to Chief Officers and then that passing on to CFOs. At this time we don't have any say in the performance management of CFOs and without that, our hands are a bit tied in order to get them to actually perform in regards to what we require of them. It is something that we are working on to ensure that we have a say in the performance management.

We gave them the instructions, we followed up with them, we didn't get timely responses from them; however, in all fairness to CFOs they had a lot on their plate with the reshuffle, there was a number of personnel changes and everything else. There were a lot of things going on in 2021, so I don't want to make it sound like, *Oh the CFOs just aren't delivering*, because there was a lot going on during that time. I think it would be very beneficial for the Financial Secretary to be the group CFO and that all CFOs report into him. I see a massive amount of benefit in that, he could actually provide some serious performance management of the CFO group.

But there were a number of challenges going on in 2021 with the reshuffle and creation of new ministries, et cetera. We provided guidance—perhaps we could have done some more hand holding, we try to help as much as possible. The real key before we can see some real change would be changing the performance management structure so that the Financial Secretary has the authority over the Chief Financial Officers, that's going to be the real key to leadership being able to be taken on by the Ministry of Finance, and it is something that we are working on.

Thank you.

Mr. Dwayne S. Seymour: Mr. Chair.

The Chairman: Mr. Seymour.

Mr. Dwayne S. Seymour: Very interesting response from the Accountant General. I am kind of agreeing with him, actually, and I'm surprised that this hadn't been taken care of a long time ago. We could see what would happen if the person did not have the teeth in the structure to be able to have direct say in the group of CFOs throughout the whole...

I suggest right away that we need to find some policy to remedy the situation.

Thank you.

The Chairman: Thank you sir. Any other questions with regard to the witnesses? Okay, that being said Financial Secretary, we are at the end of questioning for you and Mr. Tibbetts, the Accounting General, so I want to thank you for your time and the forthrightness with which you've answered questions today and this will conclude this segment of the hearing this morning.

I am going to give us all a five minute break. Give you a chance to get back into your regular spaces, as well. Then we have our next witness, Acting Deputy Governor Mrs. Gloria McField-Nixon who will be joining us. We hope that we will be able to get through this next and final segment of the hearing today reasonably quickly given the comprehensive answers we've received thus far, so members of the committee, let's all take a five minute break and be back here.

Thank you.

Meeting suspended at 12:14p.m.

Meeting resumed at 12:23p.m.

The Chairman: Thank you all for being prompt.

The proceedings are now resumed within this meeting of the Public Accounts Committee and we turn our attention now to the final witness of this hearing, Mrs. Gloria McField Nixon who is Chief Officer of the Portfolio of the Civil Service. She is here in a dual capacity, I should say, in addition to being Chief-Officer she's here also as Acting Deputy Governor and will be answering questions in both capacities.

Mrs. McField Nixon, I thank you very much for being here this afternoon. I do have one request before we actually get into my preamble and turn the questioning over to my Members. Just asking for you to please convey our best wishes to the Deputy Governor. I know he has had a difficult time with his illness; I understand that he is doing well and recovering, but please give him our best wishes. Let him know that we send our best wishes to him from the Committee.

Portfolio of the Civil Service

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you, Mr. Chairman. That is very kind and I will be very sure to pass on the committee's best wishes, which I know will be very warmly received.

Thank you, sir.

The Chairman: Thank you, too.

Mrs. McField-Nixon, welcome again to the Committee. We are speaking about the Auditor General's report on the financial reporting for 2021.

That report summarises the financial results and audit opinions given to public bodies for 2021 Financial Year, and also provides a host of information

about the financial health of public entities. The report draws attention to several key audit matters and makes seven formal recommendations to bring about improvement. While many are new, some are repeat recommendations made in other reports issued by the Auditor General in the past.

We have already heard this morning from the Financial Secretary and the Accountant General about the role of the Ministry of Finance in this whole process. We thank you for attending today, both in your own capacity as Chief Officer for the Portfolio of the Civil Service and now, as Acting Deputy Governor as well.

We appreciate you being here today and, knowing how busy you must be. We will endeavour to keep our questions limited to those we feel are most important. Similarly, we would be grateful if you could keep your responses brief, so that we can cover the range of areas we have in the time that we do have available, because I know your time is constrained. With that preamble, I will now pass over to Mrs. Katherine [Ebanks-J]Wilks who will begin the line of questioning with regard to the Public Authorities Act's Section 47.

Mrs. Wilks.

Hon. Katherine Ebanks-Wilks: Thank you, Mr. Chair and good afternoon to Mrs. McField-Nixon.

My first question would be in relation to Acts and Regulations—Public Authorities Act, Section 47. The Auditor General made two recommendations in the 2021 General Report relating to Section 47 of the Public Authorities Act:

- Firstly, that the Cayman Islands Monetary Authority, the Health Services Authority, the National Roads Authority, and the Water Authority of the Cayman Islands should urgently complete the implementation of the Public Authorities Act to ensure that they are fully compliant with the Act;
- And secondly that the government needs to consider the financial implications before further implementation of the Public Authorities Act, particularly Section 47.

This recommendation is similar to a recommendation in the performance audit report, *Improving Financial Accountability and Transparency* in May, 2021.

In its management response, the government agreed and accepted that recommendation. However, it appears that the government response may only be in relation to Section 47(1) of the Public Authorities Act on salary scales, and not in relation to the benefits of pensions and healthcare.

So we are wondering if you are able to speak to the role of the Portfolio of the Civil Service (POCS) in providing guidance and ongoing support to public

bodies with regards to the implementation of Section 47 of the Public Authorities Act.

Long question, sorry.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Through you, Mr. Chair, I thank the Honourable Member for her question.

As she has outlined, the Portfolio of the Civil Service had been charged by Cabinet to assist with the implementation of the Public Authorities Act, specifically as it related to ensuring that there was a common methodology for the way that jobs were evaluated and remuneration assigned to positions across the wider public sector.

With that underway Honourable Member, we would have conducted a review of all of the roles within some 23 Statutory Authorities either doing those ourselves or outsourcing it, in the case of large SAGCs who employed 100 or more staff—the largest of those obviously being the HSA, which is in the proximity of about 1000 employees; so quite a significant undertaking. The vast majority of the SAGCs are smaller entities and POCs conducted those April 2019 through the end of 2019 so, between April and November 2019, the small SAGCs were completed through POCs.

We also, using an independent contractor, supported the large SAGCs, several of which are named in this recurring recommendation from the audit office, and there was one SAGC that did not come in within the main project due to timeliness, that's the NRA, and I can say that they have also now completed their job evaluation so we have seen the consistent application of a job evaluation methodology across the entire public sector has now been completed.

In terms of POCs' role, not only did we either directly assess all of those roles in the vicinity of 1000 unique jobs that were evaluated during that process—either ourselves or through an independent contractor—but we continue to receive job evaluation results as new roles are created within our SAGCs or as these roles are amended within the SAGCs, so the POCs has a continuing responsibility.

We have also provided support to the SAGCs in understanding the methodology so that they could be proper advocates in being able to explain the jobs within their SAGCs to get a consistent outcome but, most importantly, being able to explain the process as their internal Human Resources (HR) needed, to make sure that employees understood what was happening with the way that their jobs have been evaluated.

We continue to work with the SAGCs so they are able to access training so that the capacity can increasingly be taken on board, within their own SAGCs, on a sustainable basis, and we have ensured value for money by contracting in such a way that all of the SAGCs are able to tap into that benefit. Those are some of the ways that we have sought to achieve the

fulfilment of the Section 47 of the Public Authorities Act as we were charged by the Cabinet.

Now, there is an interesting point regarding the implementation of the findings of the evaluation results.

One tool that we provided was a conversion calculator, and it was intended to ensure that once the results were received, when the SAGCs were calculating the cost of implementing those findings, that there would be a common methodology that would allow the ministries receiving that information to be able to make an objective assessment that the costs were an accurate reflection of the strictly-required impact of implementing Section 47 and were not being influenced by other personnel decisions that may have been taking place simultaneously within the SAGCs; so we did try to provide a tool that would allow ministries to assess the validity of the costing that was taking place regarding the implementation of the Public Authorities Act, specifically Section 47.

We have had discussions throughout this two-year period with SAGCs from time to time on approaches that might be taken and we have been very transparent both in the starting of the project and in our engagement with Cabinet, that our role was certainly to provide that technical assistance and that we would continue to be a sounding board for HR bodies, but that the law really envisioned persons who had full sight of SAGCs operations and were charged with their governance, (i.e. the Chief Officers responsible) to be responsible for ensuring implementation occurred. Other tools we had at our disposal was our internal audit unit and ultimately the OAG, who is responsible for the complete audit of the SAGCs to take place on an annual basis.

By the outcome of this report, my take away is that the vast majority of the SAGCs have implemented it, including some large and complex organisations—if you think about the HSA and the roles that they would have—and that has been as a result of continued engagement with those SAGCs; so where they flag issues that have come up from the evaluation, we have taken that back and largely those are around internal equity and the way that the entity operates and the reporting lines to try to resolve those conflicts.

I am aware, in the case of at least one SAGC, where there is a concern that there are widespread positions that are subject to commercial factors and so the position the SAGC has taken is that it would be difficult for it to apply the results in those roles because it could frustrate its ability to be able to back fill the positions or, indeed, to retain the staff who are under law protected in their earnings—any existing employees can't receive less as a result; but where they felt that essentially red circling or ring-fencing their future earnings might actually cause a deterrent for those staff remaining and create retention issues.

For the majority of SAGCs, there are more limited conflicts where commercial interests are cited as a concern for the role and the Public Authorities Act provides how SAGCs can still be compliant by essentially

having an exemption applied to those roles and there are different consultations that have to take place when that is being done for positions below the CEO or where it is being done in the recruitment of a CEO, but the law does envision how that can be done.

I think the vast majority of SAGCs have found a way to deal with the positions that are particularly sensitive to commercial pressures and still abide by the provisions of Section 47, but I do have some sensitivity where the commercial realities are widespread, and the job market right now is particularly competitive for positions that are critical to the SAGC fulfilling its mandate. I don't believe that that is widespread in terms of the number of entities that would be impacted by that—they will have individual positions that will be subject to it, but not as many as one SAGC that I'm aware of.

Again, the way that the law is designed, it provides for ways to deal with those conflicts and we are still awaiting the deliberations where it is widespread if there is to be any different approach recommended in terms of the way that the law would treat such an SAGC. But the vast majority of the SAGCs have already found a way to implement within the current provisions and to use the exemptions for the limited positions and I believe for some others it may be merely a factor of time. For some of them, there are considerations regarding the affordability of the implementation where it will require additional support, and I believe they are taking a phased approach to doing so.

While I know that this is a concern, that this is a recurring issue, the numbers are reducing in terms of the SAGCs who are falling afoul of Section 47 each time we revisit this issue, and I believe for one SAGC it has been suggested that there is a consideration about how we might resolve the issue because of how widespread the commercial pressures are on positions for the fulfilment of their mandate.

Hon. Katherine Ebanks-Wilks: Thank you very much for that very comprehensive response.

The only other question that I wanted to ask was in relation to, I don't think you said it but if you did, forgive me, in relation to the full financial implications in relation to the pension and health benefits. If it is that they are adopted by all of the SAGCs, has the government considered the financial implications?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you for that question, Honourable Member.

What I would say is that the vast majority of SAGCs are members of the Public Service Pensions Plan so there is already a high degree of harmonization of pension benefits among the SAGCs. This was the situation even prior to the establishment of the Public Authorities Act. There are a handful that are not members and so their benefits would be different.

As it relates to health care, there is not as cohesive a position in terms of the benefits but it relates

both to their active employment, the mobile benefits that are provided through private sector organisations and companies in comparison to the provision of CIN-ICO coverage that the public service would have. As a result of that, there is also not as consistent an outcome of post-employment health care benefits, although we have seen, as reported in the financial accounts of these SAGCs, increasingly further harmonisation of that benefit reflected in their liabilities and policies, so progress is being made there.

I believe that the Cabinet was minded to start with the salaries and wages as the first stage of harmonization, recognising that it was sort of the most objective benchmark to begin with, and then to look gradually at harmonising other benefits and the law does envision that SAGCs have the ability to look at the full mix of remuneration elements—so, total remuneration—that they bring to the table, even in terms of the hours that employees might work, in order to arrive at a harmonised position.

I am not aware of an existing policy thrust to fully align all of the health or pension benefits for the handful of SAGCs that are not a part of the Public Service Pension programme. I think that the emphasis right now continues to be on getting the foundation of the salaries right which has been done for the majority of SAGCs, but we still have a handful, as you have identified, that we are working through and I believe for at least two or three of those it is just a matter of timing.

Hon. Katherine Ebanks-Wilks: Thank you very much. I don't have any further questions.

The Chairman: Thank you, Mrs. Wilks. You can continue, though with the next segment of our line of questioning, which is the non-compliance with the Public Management and Finance Act, Sections 11 and 12.

Hon. Katherine Ebanks-Wilks: Thank you, Mr. Chair.

In relation to the non-compliance with the Public Management and Finance Act, particularly sections 11 and 12, the Auditor General issued emphasis on matter paragraphs for 14 public bodies because of their non-compliance with sections 11 and 12 of the Public Management and Finance Act.

The government did not introduce a Supplementary Appropriation Bill for 2021 in Parliament by 31st March as required by the Act. Just wondering if you are able to speak, in your capacity as Acting Deputy Governor, on why 14 public bodies did not have their Supplementary Appropriations approved in the timeframe required by the Public Management and Finance Act.

Was there a particular reason for the delay, are you aware?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank

you. Through you, Mr. Chairman, I thank the Member for her question.

When we are looking at the formalities required under the Public Management and Finance Law for financial changes that are taking place under Sections 11 and 12, there are a number of steps that are envisioned. The Honourable Member has mentioned that the Appropriation Bill was not brought, but certainly the other elements that would allow for such appropriation changes to take place, and that were within the direct control or greater influence of the Civil Service were certainly carried out.

I think it is important for the public to also realise that these changes relate not just to increases—in many cases, they don't result in any increase to public expenditure. They are often re-allocation of savings that have been realised in one area of government in order to fund activities in another. I know in the case of our own portfolio we were able to successfully establish an emerging talent and development fund by two entities—ourselves, the portfolio of the Civil Service, and the then Ministry for Planning, Agriculture, Housing, and Infrastructure (PAHI)—coming together in order to identify savings that would allow us to establish that fund to provide opportunities for returning graduates. So these things, the Section 11 and Section 12 are valid uses that are envisioned in the flexibility of the Public Management and Finance Act.

We do understand that with all of those internal measures having been taken and it being brought all the way to Cabinet, the matter was not brought to this honourable Parliament to be approved. This was an election year and so you would have had extraordinary activities that were taking place at this time. I understand that the Bills were prepared but there did not appear to be an opportunity in that fiscal period for the matter to have been brought to Parliament given all that was taking place in Parliament at that time, the elections that were being facilitated and rightly prioritized, and it is my understanding that the Ministry of Finance does still intend to bring that Appropriation.

Hon. Katherine Ebanks-Wilks: Thank you. I don't have any further questions.

The Chairman: We now turn to the next line of questioning concerning the topic, the Standards in Public Life Act. Ms. Barbara E. Connolly.

Ms. Barbara E. Connolly: Thank you, Mr. Chairman, through you to our witness regarding the Standards in Public Life Act.

The Auditor General recommended that the government amend the Standards in Public Life Act to require Notice of Interest forms to cover the entire financial year, and should ensure that relevant information from these can be retained and used by public bodies to manage any potential conflicts of interest.

The Auditor General previously made this recommendation in her report *Improving Financial Accountability and Transparency*, in May 2021.

We understand that the Commission for Standards in Public Life discussed this matter in January 2022, and agreed in principle to a proposed revision to the Act. This was to be communicated to the Attorney General's chambers for their final agreement of legislative changes. Can the witness give an update on the proposed changes to the Standards in Public Life Act?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you. Through you, Mr. Chairman, I thank the Honourable Member for her question.

I am advised that the Commission for the Standards in Public Life has reviewed this matter again more recently in terms of looking to align the reporting periods and to utilise such information allowing [for] organizations being able to rely on it for their internal purposes.

The Commission (and commissions will, as you are very much aware, change from time to time and so this issue had very much been brought back for consideration by the commission) was of the view that the Declaration of Interest which is required under the Standards in Public Life Act, and the Notice of Interest which is provided to the Office of the Auditor General aligned to the calendar year, that those were driven by differing legal obligations and so, to have the disclosure utilised in the way that the audit office is suggesting—and this is my review in comparing the content of what I am required to disclose under the Standards in Public Life and the Notice of Interest Disclosure that is required under the audit office—is that there are differing disclosure obligations as well as different privacy safeguards that are applied to the two.

Where I can see the attraction, in thinking about what the Commission may have given contemplation to, the expediency of having them aligned would certainly, on the surface of it, make total sense when you realise that under the standards in public life filings, there is a more onerous obligation for disclosures by public servants, quite rightly, but the requirements under the Notice of Interest, which are given into administrative bodies and do not have the same security of the way that that information is handled for some of the questioning, is only limited to disclosure where there is a question of a conflict of interest and that is a sort of lesser disclosure standard that's more aligned to the disclosure required of members of boards, governing bodies, under the Standards in Public Life Act.

So if we were to treat them as one and the same, you might actually have less information on some points or more information on other points but being submitted to administrative bodies where you would not have the same confidentiality ensured as is provided for under the disclosure to the Standards in Public Life Commission, which does this through a secure

portal and safeguards the information with very limited circulation and certainly monitored circulation or access of viewing.

The Standards in Public Life Act also has disclosure for other reasons; it requires that disclosure where persons are going to stand for office and they are obliged under that law to make disclosures for those purposes as well, so the remit and the requirements under the Standards in Public Life Act are broader than would occur for the filings for our year end reports and annual reports as required by the Office of the Auditor General in order to comply with auditing standards.

I don't know, I certainly wasn't in the room, but in deliberating on it, the Standards in Public Life Commission has indicated that they believe that the legal basis for the two filings are separate and distinct and that they are not inclined to align them for those reasons and in looking at the notices for public servants under the two, I do realise that there is a differing disclosure requirement and there is certainly different treatment of the material which could give rise to privacy if the higher standard were applied to the disclosure for the Notice of Interest, or could actually water down the disclosure if the conflict of interest tests were to be applied across the board to even what the Standards in Public Life Commission itself had access to.

The Chairman: Auditor General, I believe you had a question?

Mrs. Sue Winspear, Auditor General: Just a comment. I am just wondering if the Commission and the witness understood the recommendation.

We weren't recommending that everything was shared, but relevant information; and also that the time aligned. Again, it's more to avoid duplication. We understand the sensitivity in the personal information but the recommendation was not that it be shared, but that relevant information be shared.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: I thank the Auditor General for her question and I may have brought examples of the information when we are talking about relevant information.

One of the questions that I recall, for example, relate to the holding of property, something that both bodies deem to be relevant. The question is posed under the Notice of Interest Form as where the holding of that property might be a conflict to your responsibilities and carrying out of the duties within the entity that you are charged with being a Member of, the very same question for a public servant under the Standards in Public Life Act doesn't ask for a conflict of interest to the best of my recollection. I provide my block and parcel number for myself and the close interest so, you know, land that my husband might have access to as part of any sort of family holdings.

It is a short filing for me either way, so I realised that it's not the same level of burden on me that it might be for some persons, but in looking at the whole issue of the relevance and understanding the question, I think it is also important to understand the disclosure obligations and the test that they are subject to, so we don't gain with expediency certain gains and lose far more in terms of the various bodies being able to fulfil their mandate and the issues that arise there.

And we are all now having to contend with the obligations that have come about as a result of data protection and so those considerations also have to be applied to any commitments which may have been made.

The Chairman: You can continue with the next segment which will be the departmental transfers because of Government's reorganization last year. That will be the next section.

Ms. Barbara E. Conolly: Thank you, Mr. Chairman. Through you to the witness.

Following the general elections in 2021, Government reorganised and established new ministries on 1st July, 2021. This meant that some previous ministries were discontinued, some departments were merged into new ministries, and some completely new ministries were created. This was a significant task to undertake and required sufficient staff with the right skills to fill senior posts in new ministries. The reorganization process also meant that departmental budgets, assets, and liabilities had to be transferred from existing ministries to form new ministries. Ministries did not complete the transfer of assets, liabilities and budgets on time, and the process was not carried out efficiently.

Can the witness say what guidance, advice and support was given to the incoming administration by the Deputy Governor and you, as Chief Officer of the portfolio of the Civil Service?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Through you, Mr. Chairman, and in response to the Honourable Member's question—and I am going from recollection here, so please bear with me.

Whenever there is an election period, there will be advice that is gathered with the input of various senior leaders within the Civil Service based on portfolio responsibilities to suggest or recommend an organisational structure that would seem to encourage synergy and which would also account for the number of ministerial positions which might be arising. These will increase from time to time. That was certainly the case with at least the last at least two election periods.

It is always the privilege and authority of a Government to accept in part, whole or not at all, those recommendations and to form the organisational structure that they feel is best aligned to delivering their policy priorities.

Where those two organisational structures differ significantly, and indeed where they differ significantly from the organisational structure which is already in place, further advice comes in the form of what are the implications of such a move and what is the recommendation in terms of timing.

Every administration will come in with a certain amount of existing appropriations which apply, and so you have to be able to bring balances to a whole and to deal with how you're going to allocate your assets, liabilities, and to move personnel. And as strenuous as the reallocation of assets and liabilities are for our financial colleagues, the reassignment—the moving of personnel—requires that we also take the time to take people through that change management process, and so there were a lot of moving parts that followed the creation of new ministries during that time.

We were mindful of the impact on the public purse, and so we had repeated attempts to resource the structure in a way that would have the least additional resourcing requirements result from that. Also, and the public will be aware, that when we are going through these reorganisations, they may themselves be fluid, so you may have for a period of time, before a final structure settles, continued changes to the organisational structure which impact the work that had been done previously both on the finance side and in terms of personnel contemplations.

Now, there are sort of two tests, maybe three, to how successful successfully this has been done. First and foremost, are we able to continue to deliver the services that the public and the Cabinet require, and did the work of the civil service continued seamlessly during that time?

The second is, did we do it to such a standard that it could be successfully audited and that the appropriateness of the treatment withstands that type of independent review, and I believe that the audit opinions which have come out certainly thus far, all of which have been clean, have demonstrated the diligence that has been given to that process, but the third obviously has to be the efficiency and pace with which we are able to achieve those things.

We did have some issues regarding pace. I would say, in fairness to everyone involved, that the changes which took place were larger than we had anticipated based on recent experience. We always have some changes to the organisational structure, but we did have significant changes there which have resulted in other gains once they were facilitated, but you had CFOs, Chief Officers, other policy leads, they were all in the process of moving, and that does take time.

We currently have it settled and we have numerous CFOs that have inherited dual reporting lines during this process—this honourable Parliament shares a CFO with my own portfolio, and that is true for a number of ministries and independent offices. We were able to do that and save the public purse but, you know, you have time, you have quality or you have cost.

I believe that we were able to save on cost with the approach that was taken, we've been able to preserve the quality of the work that's coming out, but I do appreciate that the timeliness of the restructuring was a factor.

There are limitations in terms of our targets when we move, we have to do this with clean breaks in the financial reporting cycles so they have to coincide with month end, so whenever we miss a target, there are limited windows for when you can set the next one. Certainly, there have been lessons learned, those lessons have been documented into further guidance that's come out from the Office of the Deputy Governor in terms of mergers and other restructuring advice, as well as advice that has been offered by the Ministry of Finance itself.

I would also like to say that part of this will also improve as the process for doing this becomes less onerous due to the constraints that we have in the technology that supports our accounting systems, and I know that it is a matter that is also under review right now by the Ministry of Finance and is being progressed proactively. So I understand the observation from the Office of the Auditor General about the pace with which it was done, but we largely got our submissions in on time.

We have had record number of audit opinions coming out, and I can say, for all of the bodies charged with complying with the Public Management and Finance Act, we are all demonstrating progress, this report bears that out and, even in turning around a record number of audits to the deadline specified under law, while they were not all completed within that time, a record number has also been delivered as a result of the changes that came about from the restructuring.

It was a significant amount of restructuring that impacted the work that we had within the existing limited resources, but it was delivered to a high standard and I believe that the next time we are confronted with this magnitude of change, we will have made a number of improvements that will allow us to do that with greater pace.

Ms. Barbara E. Conolly: Thank you, Mrs. Nixon, for that comprehensive answer. I have one more question regarding the government reorganisation.

It has been 12 months since the reorganisation and the new Ministries were created, however, we note that a number of senior staff are still in acting positions or shared across Ministries. What are your plans to fill senior posts on a permanent basis given the number of people in acting positions such as Acting Chief Officer, Acting Deputy Chief Officer and other senior roles?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you, Honourable Member, for that question.

This one is a difficult one for me to answer as the Acting Deputy Governor. I'm speaking about the

permanent appointments to individuals who would be my peers in my substantive position as Chief Officer.

Where the structures are mature and we have had personnel moving from what I sort of refer to as the tenant entity in a Ministry—the one that really defines that Ministry—we do have a number of acting appointments there, and I understand from communication I recently received from the Deputy Governor that it is his intention to progress the recruitment process to resolve those temporary appointments.

We continue to have ministries that are of differing size and areas of responsibility, and I know that the Deputy Governor is keen to ensure that we sufficiently test whether this will be a continued approach to the assignment of work.

Once appointments are made, they are often on open-ended terms and the Deputy Governor is closely assessing the implication that this has for the structure of our senior leadership team, and how well this continues to meet and deliver against the Government's priorities. He is regularly in contemplation of this and periodically discusses the same with the Honourable Premier to see how well we are delivering with our current structures to see if this will endure as the approach that we take to delivering against the priorities. I know that he has been very mindful to be deliberate and to take the time that is necessary before locking in a permanent senior leadership structure.

In the meantime, we continue to have and build incredible leaders across the civil service that facilitate our succession for the positions that are permanently posted and the fact that the talent across the civil service was able to step up when we had a significant increase in the number of entities that needed leadership, I think bode well for the civil service, and there certainly would be no hesitation from the quality of persons that stepped up to proceed with a process of confirming leaders, but the Deputy Governor wants to make sure that the structure is indeed going to be one that will be lasting before we make permanent appointments that would be on open-ended terms.

Ms. Barbara E. Conolly: Thank you, Mrs. Nixon. I have no further questions.

Mr. Dwayne S. Seymour: Thank you, Mr. Chair. I just wanted to ask a question. I don't know if it was covered earlier, but...

When we have these new governments coming in on election year, what's the advice on first instance—and I know some mergers and reorgs are more difficult than some in different Ministries. Is there any advice given to the new Premiers or Ministers after the elections?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: And I thank the Honourable Member for his question.

There is advice. I referred to proposals of ways that the structure might be further streamlined or changes made in the grouping of subjects sometimes so that it emphasizes synergy, and this is based upon the work plans that are ongoing, the priority projects that have been alluded to in a Government's manifesto, which are things that we closely monitored during the election cycle to anticipate as best we can; things that may take up the policy agenda as major commitments, and we put forward an organisational structure as best we can anticipate that may, in our estimation, meet that call.

Sometimes we get that our advice is aligned and we have assessed that situation correctly, but where it is not, then we have discussions about how then do we go about fulfilling this structure so that we can deliver the mandate, the time implications that are going to be involved in that, and rough ideas about what are the implications of those changes. We talked about the significant movement of staff that's involved, particularly at the Ministry level, there's significant movement of entities. This makes long-term comparisons difficult, the more than an organisation changes, because the composite parts of the organisation that would make financial comparisons even relevant depending upon the extent of change, it becomes harder to make those straight line comparisons from one fiscal period to the next.

Thus we will talk about that in broad terms, but we understand, Honourable Member, that at the end of the day the civil service serves the Government and not the other way around. We understand that every government lives with a very finite period in which it has to deliver the people's priorities, and that things which look particularly efficient on paper may not actually meet with the depth of the vision and the thrust of change that the Government really wants to have impacted.

I know that the Cayman Islands continue to see significant changes in its population [and] in the way that government interventions are required. By being able to structure ourselves differently, we ensure that bespoke focus is being given even at the policy level, to having those broader areas of priority receiving equal attention on the policy agenda so, by increasing our leadership focus we are able to meet the Government's expectations.

There are pros and cons to different approaches and, while one may have been envisioned by us with an emphasis on the synergies that we foresaw, we do understand that in coming to the table the Government is not just going to be hearing from us, but will expect to have been heard by us; and so we have to make sure that we can demonstrate our ability to deliver against that as well, and we are working on the agility and pace in which we do that.

Mr. Dwayne S. Seymour: Mr. Chair, I want to thank the Acting Deputy Governor and Chief Officer very much for that response.

I am thinking that somewhere there should be at least a guideline document—a handbook or something—that could be handed as a guideline as to the woes that could happen if certain reorgs happen; at least new members coming in, new premiers, new leaders, et cetera, would know the difficulties. This affects a lot in terms of the reorgs, in terms of TPS and otherwise.

I have seen and felt the blow of that myself, in these reorgs happening and not being given enough information as to the actual split itself, what was left with one Minister and what was transferred to the next. This is definitely a very serious conversation to be had. Obviously the civil servants can't dictate who is going to be elected or re-elected, or what composition will come in—whether it is a party or independents.

We definitely need to develop something as a guideline—and I take the Acting Deputy Governor's point, as everyone wants to be heard.

The Chairman: Thank you, Mr. Seymour.

Mrs. Nixon, we are going to turn to the next segment which is backlogged audits.

At the end of September the Auditor General's report says that there were about 16 audits that were backlogged and a couple of them have been backlogged for a number of years. We learned as well that a couple had been signed off, so over the years the numbers, I think, are getting smaller. Nevertheless, getting these backlogs cleared has been an issue now for many years.

Are you able to say what does the Deputy Governor do, to hold Chief Officers to account with regard to the backlog of audits and clearing them on a timely basis?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Mr. Chairman, and this is one where I will certainly invite the audit office to comment also, because what I will say is that the vast majority of our audits are able to be delivered within the statutory time frame.

I think that has been true not only because of the professionalism of all involved in doing so, but because of an emphasis approach on focusing on staying current with those that are able to, where you're looking at a particular time frame so, for those that are current you are looking at their set of books for that current year and you are able to ensure that the deadlines can be met around the table.

Where there is a backlog, it is not from a lack of the same sort of filing taking place within deadline by all of the entities, but once you get into a backlog situation it becomes that much harder because the longer that it takes to resolve whatever year is still pending,

the more adjustments that could potentially be impacting all of the years to follow.

Coming into this hearing I have received reports from the ones that have been impacted, certainly at the Ministry level, and they will say that this is really about resourcing priorities, that they are engaged in the process of getting their audits brought current but are subject to resourcing challenges that would allow them, once they've fallen into an arrear situation, to be processed within the same timeframe as those who are current.

What the Deputy Governor has been doing is continuing to engage with the Chief Officers to ensure that the provisions and deadlines applicable to them for their filings are being met; to continue to work in partnership with the Ministry of Finance and the audit office on the joint assessment of the quality of the work that's being done within the Ministries led by each Chief Officer, to ensure that those are meeting expectations; and where they are not, and that hasn't been indicated as being a driving force right now for the ones that are outstanding, but on occasions where they are not, to deal with that and to certainly continue to closely monitor the situation until it's resolved.

But where particular Ministries find themselves awaiting their cue it is difficult, really. We are all working to confined resources. We have all been faced with a larger number of entities that we need to either be reporting against, as CFOs, or auditing against as audit bodies. So there are some resourcing challenges that I think are a significant element in the ability of, certainly at the Ministry level, entities being able to come out of the arrears. Once you're current it's a lot easier to stay current, but once there's an arrear it puts potentially at stake the ability of other audits to continue to prioritise the historic ones, has been an observation.

I would invite the Auditor General if there are particular points that have been raised about those that are in arrears, because the conversations at the CFO and Ministry levels is that there is a resourcing issue that will arise once you are in an arrears position, and it makes it harder to bring yourself current.

The Chairman: And I understand that.

What I was looking for were assurances here that the Deputy Governor is actively involved in this process to try and stay on things and drive some of this because some of them, we learned this morning 5-6 years out since the public—and indeed this body here—have seen any financial information coming out from a couple of these entities. It is concerning.

Just seeking assurances that he is involved in this process, and trying to drive forward the conclusion.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you Mr. Chair, for that follow up.

I can assure you that the Deputy Governor is very much involved not just at the Ministry level, but in

communication and conversations with the audit office. I can understand the angst of the public in terms of receiving the information that will provide that independent validation that things are well.

There is regular reporting coming from every single entity across the public service; on a monthly basis we are getting reports from ministries, both consolidated and individually supplied by CFOS, on the state of financial affairs. That is something that has recently been by the Ministry of Finance, not only produced in terms of the results, but the timeliness of those results is also closely monitored and submitted, so we have performance indicators as it were about whether CFOS are meeting their reporting obligations.

Chief Officers are accountable for ensuring that it happens, so we do have other ways of looking at financial reporting that is not going to be influenced by the same sort of resource challenges. Their regular reporting is visible that way and Cabinet has sight of it, but we are engaged and having discussions even about how resourcing might be resolved.

I know this is a priority for the Ministry. I can tell you that it's a constant conversation with the Deputy Governor and the Chief Officers and ministries that are affected. We understand the impact that would have on incoming Ministers who find themselves inheriting ministries that are impacted by this, but where the issues are due to resourcing, our attention is focused on how we can creatively be a part of the solution to resolve those constraints.

The Chairman: A Ministry like Ministry of Health, do they now have a full time CFO—their own dedicated resource?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you. The Ministry of Health has in terms of the CFO appointment—and I will ask the FS if he can confirm this.

However, the backlog of accounts, the year that has been impacted, certainly predates the election. It certainly predates the now Chief Officer's (previously the CFO) ascension going into the Ministry, so resourcing wasn't an issue at the CFO level. We have two months under law to receive the financial filings and to turn around the audits from what I see is now 50 entities. It is a huge task and while there are many approaches that have been taken, a significant one being not awaiting the deadline and the audit process beginning even earlier with Ministries going into interim audits in order to meet these deadlines, so we spend months ahead of the statutory deadline... The ministries and audit office have already commenced the audit process.

So it is not an issue of resourcing on the Ministry side in terms of making the submission, it is about the very constrained timeline of two months being able to contend with that volume of audits, and I believe that

the constraint has been largely on getting through that number of entities that are current, while also dealing with the backlogs of many years of what is now just a handful of entities.

That has certainly been my understanding and every update we are assured that the ministries are supplying the information, are continuing to engage in the process that would allow the backlog to be resolved, but there are resourcing challenges in how much time they are able to receive in resolving that backlog because you go straight into the next audit cycle, where current ministries and agencies will again receive priority.

The Chairman: What you said gives me pause for concern because if I understand what you're saying, what hope is there of ever catching up, then? If I phrased it right. What is it going to take, then, to get them caught up—[to] get these audits completed?

The vast majority don't seem to have the issue. I singled it out because from the information we have, it seems to be the one most seriously in arrears, although there are others that are in arrears by a few years.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Mr. Chairman, thank you for that question.

You may recall that in the recent past there were other large ministries, I think of the Ministry of Education, that had significant backlog and there was concerted effort for that audit to be completed on all sides and once the Ministry of Education unblocked that particular year, all the others fell into place as it were.

I am very comfortable, Sir, that once we get through the backlog of that year, then we are able to very quickly bring forward the adjustments that would be needed and they could be reflected in the successive years, but getting the time that's required for that to happen on both sides is going to be crucial to that happening. There has to be a dedicated stream to focus on the backlog, just as there has been a dedicated strategy to contend with the growing number of entities that require audits.

I have seen such a proposal come forward; I understand that this proposal significantly enhances the wherewithal of the audit office to meet with what has been a tremendous increase. We have talked about the implications of these changes, but one of the bodies that has been hit hardest by the growing number of entities and the complexity that came out of the last election has been the audit office and when we are talking about the performance that has been achieved, Sir, it has been no small task for these forty three audits that have come across the finish line in the record time that they have.

In years past, the number of audits that were completed within the statutory time frame were much fewer and the results far more problematic, in terms of

the outcomes of those audits. With the improvement in the performance of financial accounting that's happening within the Ministries, and the strategy that has been put in place, and the resourcing that has been in place by the audit office, we are getting these across the line.

I have seen and supported a strategy, in the Office of the Auditor General, that would allow us to focus dedicated resources to backlog without compromising the maintenance of ongoing audits for the vast majority of entities that are current, but I think the concern has always been [that] you couldn't compromise the gains you had made across all those other entities in order to dedicate resources to bringing one or two backlogged ones up to date.

What I have seen in place now will allow us to deal with both of those concurrently, and the Deputy Governor will ensure, working closely with the audit office, that if there are issues that have been identified in the performance of a ministry to fulfil that, then those will be addressed—but to my knowledge that certainly hasn't been raised as a concern, or a significant factor in why those backlogged ones have not yet been brought current.

The Chairman: Okay, we turn to the next area of questioning and that is the Tabling of annual reports and that line of questioning will be led by Mr. Isaac Rankine

Mr. Isaac D. Rankine: Thank you, Mr. Chairman, and thank Mrs. McField for attending today.

Mrs. McField, under the Public Management Finance Act, public bodies are required lay their annual reports that contain the financial statements and audit opinions in the Parliament via Cabinet, no later than five months after the end of the year. In a sense this is a very pivotal step that completes the accountability chain but, even though there have been recent improvements, there is still room for more improvement as there continue to be delays in Tabling financial statements and the associated annual reports.

It is not the first time it has been recommended—the first was made in the performance audit report *Improving Financial Accountability and Transparency* in May 2021 and the implementation date for that was May 2022. What do you think are the reasons for the current delays in the Tabling of the financial reports?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Through you, Mr. Chairman and I thank the Honourable Member for his question.

I would like to begin by just acknowledging that we have had significant progress in this area. The report itself refers to the fact that the Auditor General is reporting that public bodies are now routinely preparing annual reports to accompany their financial statements,

and laying the annual reports in Parliament has improved in both 2020 and 2019 financial years.

What we experienced was that 2021 created significant change that impacted the timeliness of delivering certain information, such as the annual reports, to Parliament. It is as a result of factors we have discussed numerous times today, and I know that it's been raised by myself as well as the Financial Secretary.

While we have had a number of annual reports that have been tabled in Parliament, there are a number of them which were in the process of receiving sign off by new boards. In many cases, these would be boards who were not in place at the time the activities themselves were being delivered. It may be subject to being produced by policy advisors who were not in place at the time that those services were being delivered within ministries. It will be in various stages of being considered and improved in Caucus and in Cabinet, and in various stages.

I suspect, sir, that you will see just in the Meeting to begin in December, that a lot of this is a timing issue and with this Meeting of Parliament the reports that have been sent down here and will now have an opportunity to be Tabled will show that this work has very much taken place, and that significant numbers are in the process of being filed. Because of the changes that took place, there would be a number of approving bodies from boards, policy officers, Caucus, Cabinet, who would be looking at that information for the first time, having not been there and I am sure that had contributed to some of the delay.

There would have been Ministries that would be required to do multiple reports because of the change in the Ministry that took place mid-year, and so the volume of reports that they would have to prepare would also have been increased. I'm sure that these have all been factors.

While I regret that it was not done in time for this report there will be the opportunity, with this upcoming Meeting of Parliament, to demonstrate that the work has been done and the Meeting of Parliament will give them an opportunity to be finalized, because they are also subject to the Meetings of Parliament.

Mr. Isaac D. Rankine: Thank you, Ms. Nixon. I don't have any follow up on that one so I will move on to the quality of annual reports.

My question to you then, is: Why is it taking so long to get decent performance information into annual reports, given that this recommendation was made by the Auditor General four years ago, where she recommended to Government that they should ensure that all annual reports provide an assessment of performance against outputs and outcomes that are agreed in budget documents, and then to include explanation on any variances. This was another repeat recommendation.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Through you Mr. Chairman, and I thank the Honourable Member for his question. I know that a number of entities do indeed account for their activities in terms of the delivery of outputs and do their endeavour best to link this to outcomes.

Members of Parliament will no doubt be familiar with the challenges that arise from reporting on outputs. It was such a significant challenge that Parliament itself agreed, with the support of both the Ministry of Finance and the audit office, that we were moving away from that as a basis of auditing on outputs because of the difficulties that it would pose and had posed, for being able to do so reliably.

Where Ministries and Portfolios bill Cabinet on the basis of their outputs, that management information is far more available. Others will have to compile that information as they may have other measures that they rely upon for performance indicators, and so I think that in those ministries there is significant information that is provided but not a common approach to linking it to their outputs so it is a point of emphasis.

On the latter point though, about doing so to outcomes, ministries and public bodies will attempt to make those links but, in the absence of that overarching framework on how we are managing to outcomes, which is a piece of work that is ongoing now with the Ministry of Finance supported with the participation of all Ministries policy advisors, we will have a better framework in place about how we would consistently report against our activities on an outcome basis.

There is a significant piece of work, Sir, that is ongoing here, that will improve our capacity to do so, and we will certainly – the Deputy Governor has emphasized, and will continue to emphasize this as a matter of review, and we will also, in the preparation of annual reports for successive years, seek to incorporate that as a review when they are coming in, on whether a reasonable effort has been made to reflect their activities in the outputs that have been prepared and submitted to Parliament as part of their budgeting framework.

However, I suspect [that] for many entities, the management tools to reliably record those, if they are not sufficiently tied to their operational reporting framework, they may not have the same level of information, but they will have other key reporting indicators that are no doubt forming part of their annual report in lieu, so we will work with them to link those back to the output structure but measuring the amount of effort that is put into that at the same time, as the reporting frameworks are being reformed as led by the Ministry of Finance. I think with that structure in place, we will have a more enduring approach to how we report against performance on an outcome basis. And so I think the amount of management investment in building robust output bases of performance may need to be measured in the

interim. I would say that more can be done, but an outcome basis of reporting is the ultimate goal and that is currently being developed.

Mr. Isaac D. Rankine: Thank you, Mrs. Nixon.

The Chairman: Okay, we come now to the final area of questioning and that's the Sister Islands' Affordable Housing Development Corporation, and I ask Ms. Conolly to lead with that.

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

Through you to our witness, the Sister Islands Affordable Housing Development Corporation did not meet its objectives of building or selling houses in 2019 or 2020. Its primary objective is to promote affordable home ownership for the Caymanian public in the Sister Islands. In the 2020 General Report, the Auditor General recommended that the Government considers the need for the Sister Islands Affordable Housing Development Corporation to continue as a separate entity. This recommendation was repeated in the 2021 General Report.

My question is: What is your view on the Sister Islands Affordable Housing Development Corporation continuing to operate as a separate entity, given the lack of value provided to the public.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you Mr. Chairman; through you to the Honourable Member. In looking at the Auditor General's report about the continuation of the Sister Islands Development entity continuing, this is very much a policy decision that is to be taken by the Government.

I'm not even sure if this particular structure has dedicated staffing underneath it. These entities have boards that are established and the ways under which the Government seeks to pursue the policy objective of providing affordable housing is very much a policy decision for the Government to take. We will support, and as efficiently as possible deliver against those decisions, but I don't believe, certainly not as Acting Deputy Governor it is an area which I have great exposure to in my substantive position as Chief of the Portfolio of the Civil Service. I don't know that I would be providing a particularly informed opinion, so I don't think it would be appropriate for me to comment on that.

Ms. Barbara E. Conolly: Through you, Mr. Chairman to the witness, thank you so much for that.

I have just one last question here: What is the process then for holding public bodies to account for meeting their objectives and delivering the goods and services for which they receive budgets?

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor:

Through you Mr. Chairman, to the Honourable Member.

Public servants are held to account for the fulfilment of their budget objectives. This is achieved by way of the reporting that goes to Ministers, which allows them to be able to be funded for their operations; it goes to the reporting in terms of whether services are regularly and reliably received by the public, and so whenever there are issues of non-performance in the fulfilment of our functions and mandates as public bodies, we have many arenas in which that accountability is made known.

Whenever a government department is experiencing issues, one only needs to turn to any media or blog to see the first line indication that this is not happening, and we have had a consistent focus on ensuring that we are delivering our services and have been steadily improving that. We seek customer feedback on the delivery of our services, we give every customer the opportunity to vote on and report on how well we are doing in their engagement in the way that we deliver our services, and we are reporting to Ministers on the delivery of their priorities.

We have noted that there's room for more consistently reporting against our key objectives so that the comparisons to what we are doing is visible across Ministries, ultimately to the public, but also, so that we will have a better way of understanding the work that is taking place, and the way that such work is complementary to the outcomes that are sought at a Cabinet level. That work is currently underway in the improved reporting frameworks that are in development with consultation with Chief Officers from the Office of the Deputy Governor.

This need was highlighted when we had Ministers having dual ministries and realizing that while they were getting information, there could be significant difference in the way that reporting on performance was handled from one ministry to the next, and so it gave us an opportunity to streamline and create a common framework for how we would report against our deliverables to the Minister, but also being able to provide that reporting to central forums such as our Chief Officers meeting and, ultimately, will no doubt aid in the way that ministries are able to report in their annual reports as well.

At that fundamental level, the Office of the Deputy Governor is putting in preliminary work that would allow Chief Officers to report against the Ministers and the Government's priorities in terms of their strategic projects, but also the areas that are their core service deliverables. This is the interim provision that will then build on to when we have a framework for reporting against outcomes, so there is work underway that's allowing us to improve the way that we report, and to make sure that there is greater commonality in the way that civil service entities are reporting.

I think that will have the ability to benefit us in other areas outside of our core civil service responsibilities in the way that reporting can be done, and will hopefully provide a tool as the outcome-based reporting model is being contemplated. We can look at the work that is being produced out of the Office of the Deputy Governor on reporting to Ministers now, because that is already underway to improve and create common ways of reporting our delivery of services to the Minister who ultimately signs off on the funding for operational expenses.

Ms. Barbara E. Conolly: Thank you, Ms. McField-Nixon. We really appreciate all of your answers today. Your responses were great and we are happy with that so, thank you.

The Chairman: Members of the Committee, that brings us to the end of today's hearing.

Mrs. McField-Nixon, I want to thank you again for coming today. Thank you for your answers and the responses which you provided to us this afternoon; we do appreciate it. I wish you a very pleasant day and will excuse you now from the Committee.

Hon. Gloria McField-Nixon - Chief Officer, Portfolio of the Civil Service, Acting Deputy Governor: Thank you, Mr. Chairman. It's always a privilege to be able to come down here and I hope I have been able to provide suitable answers to the questions asked.

I would just like to say my sincere thanks to the PAC. We are always very nervous when we come down here, we understand the importance of this Committee in improving governance and performance within the civil service and the public service and so, while it is nerve wracking, it is always a distinct privilege to be able to be here. We do commit, sir, to continuing in the areas where the Auditor General's office has identified we have not had sufficient pace, to continuing in the engagement so that our performance will continue to improve year over year.

The Chairman: And that's what we're all about, driving change and continuous improvement, so I thank you for that as well.

Okay, we can consider the meeting today can be brought to an end. I am not sure when next we do meet but there will be much to be said, I think, about notices, et cetera.

[Inaudible interjection]

The Chairman: I'm told January the 11th. Thank you, everyone. Have a pleasant afternoon. See you soon.

At 1:59pm the meeting adjourned.