



**PARLIAMENT OF THE CAYMAN ISLANDS  
COMMITTEE OF PUBLIC ACCOUNTS**

---

**FINANCIAL REPORTING OF THE  
CAYMAN ISLANDS GOVERNMENT  
GENERAL REPORT 31<sup>st</sup> DECEMBER, 2019**

---

*Official transcript relating to the Official Report of the  
Standing Public Accounts Committee Meeting—29 January 2021*

<b>CONTENTS</b>	<b>Page</b>
PAC Members present	2
Witnesses present	2
Others in attendance	2
Mr. Kenneth Jefferson	3 - 14
Mr. Matthew Tibbetts	5, 11, 12
Ms. Nellie Pouchie	14-16
Mr. Troy Claxton	14
Mr. Albert Anderson	16-18
Undertakings to provide in writing	10,18

**PAC Members Present:**

Mr. D. Ezzard Miller, MP, Chairman  
Mr. Austin O. Harris, Jr., MP, Member  
Ms. Barbara E. Conolly, MP, Member  
Mr. David C. Wight, MP, Member

**Apologies:**

Mr. Christopher S. Saunders, MP, Member  
Mr. Bernie A. Bush, MP, Member

**In attendance:**

Ms. Patricia Priestley, PAC Clerk

**Audit Office:**

Mrs. Sue Winspear, Auditor General, Office of the Auditor General  
Patrick Smith, Deputy Auditor General (Financial Audit),  
Office of the Auditor General  
Winston Sobers, Audit Manager, Office of the Auditor General  
Gabriel Ncube, Audit Project Leader, Office of the Auditor General

**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  
Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment,  
Culture and Housing  
Mr. Troy Claxton, Chief Financial Officer, Ministry of Health,  
Environment, Culture and Housing  
Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports  
Authority

**OFFICIAL VERBATIM TRANSCRIPT**  
**STANDING PUBLIC ACCOUNTS COMMITTEE**  
**FRIDAY**  
**29 JANUARY 2021**  
**10:30AM**  
*Meeting with Witnesses*

**FINANCIAL REPORTING OF THE**  
**CAYMAN ISLANDS GOVERNMENT -**  
**GENERAL REPORT 31<sup>st</sup> DECEMBER 2019**

Verbatim transcript of the Standing Public Accounts Committee Meeting held on Friday, 29 January 2021, at 10:30am, in the Chamber of the House of Parliament, George Town, Grand Cayman.

*[Mr. D. Ezzard Miller, Chairman, Presiding]*

**The Chairman:** Good morning, everyone.

First of all, I need to apologise for the late start. Members of Parliament do have constituency matters that sometimes have to take precedence over Committee matters in Parliament, but let the record show that we have a quorum present and the meeting is called to order at 10:30am.

*[Inaudible interjection]*

**MINISTRY OF FINANCE AND**  
**ECONOMIC DEVELOPMENT**

**ADMINISTRATION OF OATH**  
**OR AFFIRMATION**

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** I swear by Almighty God that the evidence I shall give to this honourable Parliament shall be the truth, the whole truth, and nothing but the truth.

**The Chairman:** Good morning, Mr. Jefferson and thank you for returning to the Public Accounts Committee (PAC) to help us along.

At this time we will ask the Auditor General to give us her usual overview of the Financial Reporting of the Cayman Islands Government - General Report 31<sup>st</sup> December, 2019.

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** Thank you, Mr. Chairman and good morning to you, members of the Committee, colleagues and anybody listening.

Thank you for the opportunity to make some opening remarks about our Financial Audit General

Report for the year 2019. This was published in December and encapsulates the main work of the Office and all of the financial audits that were done at entity level during 2019, of which there are 41 entities—PAC already having called one of the entities, The Turtle Centre, off the back of their 2019 audit.

At the time of the report, 36 out of 41 entities that make up the Cayman Islands public services were complete. That remains the position today and none had received an audit qualification and so progress continues to be made and this is very positive. I did issue an emphasis of matter for nine bodies, mostly regarding non-compliance with section 47 of the Public Authorities Law.

COVID-19 did have an impact on some bodies because obviously it came to light in March. We undertook the main audit season in March and April, during which we had the lockdown.

I would first of all like to pay credit to all of our clients, and particularly the staff in my Office—because all staff was involved in financial audits—for achieving such a good outcome in really difficult circumstances.

We also lost the Deputy Auditor General that leads the Financial Audit Practice to do emergency response work with the National Emergency Operations Centre (NEOC); so it was a really challenging time and I think it is a credit to everybody involved, as I said, particularly clients, as well as my own staff, that we did such a good completion.

We completed 27 by the end of April which is the statutory audit deadline, a further three by the end of June, and another six by December. So if you look at Exhibit 1 on page 4, we now only have five outstanding audits for 2019 and of those five entities, two of them—the Ministry of Health and the Airports Authority—have three years of audits outstanding and I believe you have called them as witnesses this afternoon.

In terms of financial performance, all but one of core government entities made a surplus during 2019. The Ministry of Commerce, Planning and Infrastructure recorded a deficit for the second year.

The Statutory Authorities and Government Companies (SAGC) financial performance in 2019 was a little more mixed, with 15 of the 22 entities recording surpluses and seven having deficits. One of those seven, the Turtle Centre, has made a continued deficit and you've obviously had a hearing regarding them. Cayman Airways is the other that we are concerned about but that audit is not complete yet and in 2019 the Health Services Authority (HSA) also made a deficit but generally, the SAGC performance has varied over the years.

All public bodies are now preparing annual reports, which is another continued improvement but we would recommend that even more attention is given to the timely tabling of those in Parliament. If you look at Exhibit 9, page 14 of the report, it shows an upward trend in the tabling of annual reports, which is positive, but there are still very many that are not tabled in a timely way and not in accordance with the Public Management Finance Act. At the moment, we have 51 annual reports that have not been tabled, and 48 of those are beyond the six months of completion of audit, which is the requirement.

With me today, as I said, it involves the whole of our Office but I have Patrick Smith who leads the Financial Audit Practice; Winston Sobers, the Audit Manager on that side of the practice and who really stepped up during the 2019 cycle as I said, because Patrick was saving the country with other people and Gabriel Ncube, who is one of the audit project leaders but also supported and drafted this report.

Before finishing Chairman, I am embarrassed to say that thanks to the Financial Secretary, I have one correction to make to my report—and I do thank the Financial Secretary for picking it up. On page 21, paragraph 71 of the conclusion, says “**culminating in all public bodies being issued with a qualified audit opinion...**”, that, of course, should say “*unqualified*”.

I am terribly sorry, but I think the quality assurance is us reading what we think it should say rather than what it actually does say; so, profound apologies for that. We are here and happy to support the Committee with any areas of questioning.

Thank you.

**The Chairman:** Thank you, Auditor General. On behalf of the Committee and I, let me add our thanks and appreciation to you and your audit staff and the government entities that got this work done under the COVID restrictions.

Also, I want to add our disappointment and to encourage the entities to table their reports. The fact that there are 51 reports outstanding is troubling because they need to be tabled so that the public can

have access to the reports, and the audited accounts are only a part of the report. It is very important for the public to get an overall view of what the Ministries and other entities are trying to do and to make judgments on how they are functioning. The absence of those reports makes that difficult.

Mr. Jefferson you know the routine. Yesterday, we were talking a little bit about the budgeting side of it and I know that your Ministry has just drawn a strategic plan. Is there anything that you think that these five [Agencies] that are behind for a couple of years—are they having any issues with the Law itself, or is it just resources? Why are they not getting their accounts up to date? Have you had any response from them?

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

Good morning to you all, honourable Committee members, Audit Office staff and the Clerk; my name is Kenneth Jefferson and I am the Financial Secretary and Chief Officer in the Ministry of Finance and Economic Development.

Mr. Chairman to start, I would like to say that we welcome the improvement that this report speaks to but at the same time, as you and the Auditor General have said, the fact that we have 51 annual reports outstanding is something that definitely needs to be improved.

I can say, Mr. Chairman and Committee members, that frequently at the Deputy Governor's meetings with his Chief Officers—they are normally held every two weeks but it gets a bit chaotic at times—we generally bring up and discuss the need to get the annual reports tabled here in Parliament and there is a great plea from him to get them in. I have seen emails from him to all Agencies encouraging that. The Ministry of Finance as well—I have written saying, *you need to get your accounts in and your annual reports tabled*.

Mr. Chairman, specifically to your question about the five Agencies that are outstanding, in terms of their audits: the one that I can speak to best would be the Ministry of Health. The others are all statutory authorities—the Airports Authority, Housing Trust, et cetera.

At the Ministry of Health I do believe the principal reason is staffing changes over a number of years, Mr. Chairman. The current Chief Officer was the Chief Financial Officer (CFO) a number of years ago, but there have been lots of movements in that Ministry and I think that is the principal reason why it now finds itself with three years of audits outstanding. Apart from that, I do not know of any technical reason why the audits remain incomplete. I just believe it is down to personnel and staffing changes within the Ministry.

**The Chairman:** Do you have any weapons that you could employ to encourage them, i.e. you do not get the next draw down unless—

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

Mr. Chair, just to quickly add that, while the Ministry of Health is behind right now, they do have a plan agreed with Audit Office to get it rectified up to 2020 by June of this year. So we have confidence that they will be improving in the near future.

**The Chairman:** Okay; and I can hold you to that?

*[Laughter]*

**The Chairman:** Getting back to the reports.

*[Inaudible interjections]*

**The Chairman:** No, that is in no way intended to belittle the effort that I know the Ministry of Finance has had to make. I remember where it was in 2009, when I took over Public Accounts Committee.

The civil servants, both the audit side and the working side, need to be complimented and appreciated for the massive task of getting those accounts all up to date to where we are now getting the great majority of them coming in within the statutory requirements. That is not a minor achievement.

However, Mr. Jefferson—because I have seen your Ministry's reports and they are very good—I wondered if you can get the Ministries to adopt that kind of a standard format to encourage them, because you know some of them might say, *well, we do not know how to write a report*. I want to try to reduce the excuses so we can get it done.

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

I see the Accountant General grabbing at the mic, so I know he has something to say as well. What I would say Mr. Chairman is that—not necessarily professing to be the perfect agency—but the Ministry of Finance has written to Ministries in the past setting out what we believe is a reasonable pro-forma type document for the contents of an annual report. Although I do not have it physically here with me now, we have done that.

It almost goes without saying that the Public Management and Finance Act itself, although it is very brief, actually specifies what the contents of an annual report should be. As we all know, it includes the financial statements, but in terms of beyond that—the contents—section 44 of the Act says that it shall state the details of the entity's activities during the year. That is very wide and you can pretty much do

whatever an entity wishes to do with that type of description.

We have suggested in our pro-forma—and this is from memory so I am not going to remember all of it—that Ministries and Portfolios detail in their annual reports [any] legislation that they would have passed in the course of the year, the amount of Freedom of Information (FOI) requests that they would have dealt with, any contact with the Ombudsman's Office in terms of complaints, et cetera; and of course, they have to describe what were the major accomplishments during the course of the year for the Ministry or Portfolio.

We have shown things like the make-up of the staff—male, female, Caymanians, Non-Caymanians, et cetera—just some general information. Like I said, I do not have the actual pro-forma that we issued in the past, but it was issued and it represents what we thought would be useful commentary in the annual reports. It definitely will need updating from time to time, but we have issued that.

**The Chairman:** For those that have been tabled, there is a huge variation in quality—one is done with many pictures on very expensive paper and hard covers, and others are just clipped together. I think if we got to some kind of standardised format we would maintain quality across the service, which I think would be good.

What kind of involvement does your Ministry have and what tools do you have at hand to try and get these people to move it along, because you would not have been able to do your consolidated accounts if these reports were not in.

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** That is correct, Mr. Chairman.

It is a fact that in order to consolidate what could be 16 or 17 entities from central government with the 25 or 26 statutory government companies, you need each of those individual parts to exist. Obviously, if they do not exist, the consolidation process to produce a set of financial statements [for the] whole of government will not be possible.

Mr. Chairman, again, what we have done to date in terms of encouragement is at the Deputy Governor's meetings with Chief Officers we have told those present that the deadlines are such and such; and I think that by this point in time Chief Officers and CFOs are aware of the deadlines—I mean, the deadline does not change. The Law has been there for quite some time so they certainly should be aware of what the deadlines are, but we have let them know.

The Law speaks to annual reports; I think what tends to happen though is that we—including the Ministry of Finance—submit the financial statements first. We have done that for the 2020 financial year as

an example, but the annual report has to be sent to the Audit Office by the 28<sup>th</sup> of February.

That is the deadline for the annual report and that is what the Act speaks to, submission of annual reports; however, a big element of that are the financial statements. At the Deputy Governor's meeting we have encouraged and made known and have written emails about the annual reports, the contents, the suggestions, et cetera. I think by this point there should not be an issue of lack of knowledge of when deadlines are. As you know sir, there are no known sanctions.

**The Chairman:** Yeah, that is part of the problem.

Could one of the reasons be that there may be a conflict between the CFO and the Chief Officer as to who does the annual report? Because I would think that the CFO would clearly be responsible for the accounts.

Certainly, I would think that the Chief Officer could in fact be working on drafting the annual report while the CFO is dealing with the Audit Office on the audit process so that at very minimum, when the audit process is complete, the report should be ready to go.

**Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development:** Mr. Chair if I could speak to this really quickly, because we have a background in regards to the annual reports.

In 2016, the Ministry of Finance worked with the Audit Office and identified a standard approach to annual reporting. That guidance was sent out to all CFOs and I will read directly from it. The wording is: *"Whilst the CFO may assist the Chief Officer by providing financial data and analysis, the annual report should be the product of the Chief Officer responsible for the Ministry."* [Unverified quote]

We made it clear that there is a distinction between the financial statements and the actual ownership of the annual report, which is actually the Chief Officer's responsibility, but obviously the CFOs are going to play a big part in providing information that feeds into that annual report.

**The Chairman:** What I believe is troubling to the Committee is that unfortunately these Ministries and Authorities that are in a backlog have major capital projects ongoing and if they cannot get their current stuff prepared and audited, one has to wonder what is the status of the funding of their capital. We talked about that yesterday, about how we can tighten-up some of that.

Mr. Austin...

**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman.

I want to say good morning and thank you for the attendance of the Financial Secretary and the—

[Inaudible interjections]

**Mr. Austin O. Harris, Jr.:**—Accountant General. Forgive me, I have difficulty sometimes remembering all of the titles, but certainly I want to thank you both for being here.

I want to touch on the importance of not only presenting the financial statements, which certainly inform Ministers, Chief Officers and Members of the Legislature, but the presentation of annual reports, particularly from the standpoint of how this benefits the layman—the tax payer of this country.

Annual reports and financial statements of the government are key documents that enable the House of Parliament and residents of the Cayman Islands to hold the government and individual public bodies accountable for their use of public money. As we discussed yesterday, in terms of the budget documents, the sheer size of the budget documents and simply providing more information does not necessarily mean you are being transparent in the process.

The annual report is meant to be a summary of what is contained in the financial statements guiding the reader to better understand where tax payer dollars have been spent and where deficiencies remain.

We went through a time where financial statements were behind but we simply seem to have turned that corner but since 2016/2017—in the report that preceded this—the Auditor General's Office gave the entire public sector an adverse opinion and one of the reasons was the absence of those annual reports which caused reason for concern.

I wonder if the Honourable Financial Secretary can tell us, have there been any discussions about the difficulties or challenges experienced by the five Ministries that are outstanding, as to why their annual reports continue to lag so significantly behind the presentation of the financial statements?

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

To the member's question, the one that I can speak to most confidently would be the Ministry of Health and the honest answer is that we have not had extensive discussions, although the Accountant General has just said that there is now an agreed timetable for that Ministry to complete its audit by June of this year.

As I said Mr. Chairman, I believe that in that particular instance, the reasons for the delay are staffing and personnel changes within that Ministry; I do not believe that it is technical or accounting difficulties. I do not recall receiving any specific requests from the Ministry of Health as to having accounting issues that hindered the audit. I do not

recall that, so I believe it is more to do with the staffing changes that happened in that Ministry over a period of time.

I cannot speak confidently to the Airports Authority, the National Housing Development Trust, the Utility Regulation and Competition Office and to Cayman Airways Limited. I think for the latter, Cayman Airways, only 2019 is outstanding but I believe that might be completed shortly—I certainly hope so. I think that is the best stance I can give at the moment.

*[Inaudible interjections]*

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** We have not had extensive discussions with them, so I am not aware of any particular reasons why it is outstanding; maybe the Audit Office could elaborate briefly.

**Mr. Austin O. Harris, Jr.:** Well, if I may expand the question and share some of the Audit Office's thoughts which were outlined in their executive summary of the report. Again, I appreciate that the witness really only has familiarity with the Ministry of Health and not any of the others, however, from the report, I think the Audit Office fears [that] perhaps it is more than just staffing changes behind these delays.

The executive summary, if I may quote just a few brief sentences, says: **“The financial results reported by SAGCs present a mixed and varied picture; 15 out of the 22 audited SAGCs recorded surpluses while the remaining seven have made deficits. The Public Service Pension Board, Water Authority of the Cayman Islands, Segregated Insurance Fund and the Cayman Islands Monetary Authority are among the entities that recorded the largest surpluses, while the Health Services Authority, Cayman Turtle Conservation & Education Centre Limited, Port Authority of the Cayman Islands and the National Housing Development Trust recorded the largest deficits.”**

Of those, the accounts demonstrate that a considerable proportion of them continue to be under financial strain. The Auditor General goes on to state that in their opinion, these challenges **“will likely continue to be the case in most instances without any changes in operations, business restructuring or ongoing and further government support or changes in government policy.”**

I use OfReg as an example. OfReg has gone through major staffing changes, leadership changes, and putting key personnel in necessary positions but it has not changed the way it reports to the legislature and certainly in terms of government policy, there is not that feeling that the government policy and OfReg are on the same page.

However, specifically to the Auditor General's Office comments that their concern is that it is going to get worse before it gets better and in particular, it is more than just staffing matters that are affecting or impacting these departments.

I wonder if there has been any indication by you and your Office, if there are other overarching issues and concern outside of staffing that may be troubling to you, as Financial Secretary.

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

Mr. Chairman I thank member Harris for his observations and certainly would say that his comments are understood. Just as a tangent to say that he mentioned from the executive summary some of those entities that had large deficits and one that I recall best would be the Health Services Authority.

Thanks to the Audit Office's staff, we do get copies of the audited financial statements sent to us for all entities really, and I remember specifically the Health Services Authority. What they have done recently is recognise their health care liability directly in their financial statements, which led to the HSA having essentially negative net assets because the amount was so large and as a follow on to that, there was an impact on their income statement which was a principal reason why they had a deficit.

Mr. Chairman, to try to answer the member's question directly, that was just a tangent to say that it is possible that as more and more entities recognise health care liabilities and the genuine cost of health care, that in itself might result in future deficits occurring more and more frequently.

Obviously, the point that the member makes is important because if statutory and government companies are incurring deficits, that obviously puts pressure on government to actually support them if they do believe that that particular entity is worthwhile continuing, which in turn puts pressure on the government's own operations to support the previous level of expenditures that the government itself has been incurring which then leads to the Chairman's question yesterday: *Are we going to focus on revenues then, because if your expenditures are going up, is that then going to lead to revenue increases, which would impact the public?*

We obviously cannot attribute these deficits to COVID, because we are dealing with the 2019 financial year end. We cannot say that these deficits arose because of COVID, so the point is understood—it does have an impact on government.

Mr. Chairman, the conclusion I would reach is that the individual Ministries and Portfolios that are responsible need to have a discussion with the SAGCs to understand and to arrive at a conclusion—are these going to be ongoing deficits in the future? What is their magnitude?



*[Inaudible interjections]*

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** We in the Ministry of Finance have not had those individual discussions at all with those entities, but it does actually need to happen. Our view point would be that the best-placed agencies to do that would be their parent agencies.

**The Chairman:** I just want to ask a follow up with that.

**Mr. Austin O. Harris, Jr.:** Yeah, I was going to stick with the surplus and deficit because he made a very good lead.

**The Chairman:** Is there any particular reason why Ministries are not insisting that the board of these companies, the Turtle Farm for instance—we know the mess it is in because they were before the Committee—develop a multi-year plan to reduce the deficit to zero. I mean, in the case of the Turtle Centre, the government has been giving them \$10 million for as long as I can remember.

It is one thing to get these agencies to do capital development, but that capital development should have a component in the planning stages of how the unit is going to pay for it. It is even worse—like at the Turtle Centre—where we are subsidising recurrent expenditure; staff are being paid bonuses and hardworking civil servants are not getting any.

Is there anything your Ministry can do to try to get other Ministries to at least request from these entities and these boards, some plan to reduce that deficit to zero over a period of time? I mean, whether that is enhancement or collectability of their current revenue measures or the expansion of their clientele, but they should be made to do something to address the deficit.

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

I think certainly the Ministry of Finance can assist in that process. I thank you and the members for the observation and obviously, the Auditor General for bringing it in the report.

As we discussed yesterday, the Financial Secretary actually does have the legal ability to request information, not only from central government agencies, but from the SAGCs as well. I think it is section 46; I will not bore us with the actual details, but the legal ability to request the information does exist.

**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman.

I would like to go back to the surplus and deficits question and I want to thank the Honorable Financial Secretary for mentioning the importance of

ensuring that public bodies, statutory authorities and government owned companies maintain surplus budgeting as opposed to deficit budgeting because of the challenge it places on the core government to achieve its Strategic Policy Statements and outcomes.

As the saying goes, “Any chain is only as strong as its weakest link” and certainly having departments and ministries struggling to produce surplus budgeting presents a challenge to any government administration, as the one that presently exists or the one prior to this term pledged to produce surplus budgets.

I think we can all appreciate the importance of those surpluses and if you do not appreciate it, certainly 2020 was a reminder that those years of surpluses do in fact have a purpose. It is that saving for a rainy day, and certainly in 2020 it rained cats and dogs and that surplus was extremely useful whilst at the time many persons found all sorts of creative ways in which we could spend that surplus, but that is the point behind the rainy day fund.

When we talk about surplus and deficits it is not simply a matter to brag; “*look how much money we saved*”, or “*look where we did not spend the money*”, but more importantly, providing that contingency fund for when the bottom does drop out and again, I use 2020 COVID-19 scenario as a living, breathing example.

I am also grateful to the Financial Secretary for being able to identify some of the factors that are leading to the deficits, particularly in the Health Services Ministry, where you talk about health care liabilities. We see these challenges in both the provision of health care and health insurance, and how these liabilities and the costs associated with them have a much broader impact.

This is useful information that would guide the public, the residents of the Cayman Islands, to not only understand how their money is being spent but also the challenges associated with providing better value for money on things like health insurance and the cost of health care.

I want to touch, though, on the surpluses, in particular the 15 out of 22 entities that recorded surpluses, according to the Auditor General’s recent report.

Can you state whether the requirement for public bodies to pay back their annual surpluses to Treasury is in fact happening and if not, what are the challenges and reasons associated with those entities not paying those surpluses back to Treasury?

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** Yes; thank you, member Harris for that question.

There is definitely a requirement for Central Government Agencies to repay surpluses that arise at the end of the financial year to the Treasury. I paused

there for a bit because I was considering that if you are a member of the public hearing it, it sounds a bit weird to say that a Ministry or Portfolio makes a surplus and it has to pay it back. That just sounds kind of confusing.

Mr. Chairman, if I can try to make it more understandable: this was one of the things the Financial Management (FMI) Initiative dealt with when it was established. If a Ministry, Portfolio or Office was able to manage its expenses and its revenues such that it made a surplus, there was a possibility that because of that good management the Agency or Ministry got rewarded by being able to keep some of those surpluses, and keeping surpluses really means keeping cash at the end of the year. The Ministry, Portfolio or Office that made the surplus could then spend that cash on areas that perhaps were not in the next year's budget. So it was a reward; I think that was the concept of surpluses and so forth.

The Public Management and Finance Law (PMFL) talks about those surpluses which really mean cash returned to the Treasury. So we have this complicated system where each individual Ministry and Portfolio has, in many cases, several bank accounts for the entity itself. In addition to that, the Cabinet and Treasury also have the parent bank account.

What member Harris is speaking to is a situation in which, at the end of a financial year, a Ministry or Portfolio that has a surplus has to write to the Financial Secretary to request that they be able to retain that surplus, which means that they would be able to retain that cash that corresponds to the surplus in their own entity bank account. So they have to write to me and to say, "Can I keep it?" The vast majority of entities do not do that. They do not write to say, "Can I keep my surplus cash?" They do not do that.

The Chief Financial Officers in each Ministry or Portfolio would write in to the Treasury to say, "My Ministry experienced a surplus of "X" dollars for the 2019 or the 2020 financial year. You can therefore move that same "X" dollars surplus in the form of cash from my entity bank account back into the Treasury's main bank account. That is the situation within Central Government.

It is usually one or two of the entities that write and say, "Can I keep my surplus cash?" When you extend that to the SAGCs, the Public Authorities Law (PAL) also speaks to statutory authorities, government companies that have cash balances that exceed a level of bank account balances sufficient to cover 90 days of expenditure.

By the Public Authority's Law, those excess cash balances should also be paid into government at the moment, but that has not gone down well, to put it in blunt terms. The situation for the last couple of years—and Cabinet has the legal ability to do so—the Cabinet has consistently issued an exemption to the

statutory authorities to say you do not actually have to pay over your excess cash to us beyond this 90 days level. You do not have to do it.

For example, in practical terms, an authority would pay it over and something comes up in the course of the following year and there would be a need for that cash to be returned so, in lieu of that happening, there is a separate situation where there is a dividend formula that is being established for SAGCs to abide by. There was never the intention that SAGCs would have to pay over a dividend as well as excess cash beyond the 90 day expenditure level. It was never the intention that they pay both; only one.

To take care of one of those strains, there is the exemption that Cabinet has issued year after year. A paper went to Cabinet that attempted to change the PAL to eliminate that particular section that said that the statutory authorities had to pay over excess cash following the end of a financial year. That paper did not succeed; it may be brought back later on, but certainly the intention is that when SAGCs make surpluses, they be asked to pay a dividend as opposed to a dividend plus excess cash.

To complete the answer Mr. Chairman, I have just described the situation with SAGCs and Central Government; at the end of a financial year, surpluses made are generally taken back from those Agencies and put back into the Cabinet's main bank account.

*[Inaudible interjection]*

**Mr. Austin O. Harris, Jr.:** Just one other question, Mr. Chairman.

Again, when we talk about the importance of annual reports accompanying Financial Statements and [why] both need to be submitted and tabled in a timely manner because they inform not only the House of Parliament but also the residents of the Cayman Islands; one of the other ongoing observations made by the Auditor General in the course of the last four or five years is not just the submission of these documents in the form of the Annual Reports and Financial Statements on the Table as well as available online but in particular, the amount of updates that Ministries and SAGCs provide to their own individual websites.

We live in a digital age. The average person is not going to come down to the Legislative Assembly to request documents that they would otherwise be able to access from the palm of their hands, and from a stand point of efficiency as well as accountability, a website provides an avenue to satisfy both these needs.

I wonder if you can tell this Committee, in addition to the challenges of presenting Annual Reports to accompany Financial Statements, what are SAGCs doing to improve their website content, which serves as a method of being transparent to the taxpayers of this country?

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

Mr. Chairman, it is obvious that SAGC-owned websites are a logical and sensible place to place those annual reports.

I cannot say that the Ministry of Finance has actually done a survey and gone and surfed each of those locations to see if the Annual Reports are published there, but it is a sensible place to do it and we would certainly encourage the Chief Officers responsible for the SAGCs—if that is not the case now—that it be done or brought up to date.

[I can certainly undertake to do an exercise to check what the exact status is as of now.](#)

I do not believe I can say anything other than if it is not up to date—it does not reflect the latest position—then we can make contact with the Chief Officer, the CEO, MD or board chairman of the Authority, et cetera.

**The Chairman:** Just one caution with putting them on their websites: please ensure that that does not in any way eliminate the requirement to Table them in the House, because if you eliminate that process, you are eliminating an important democratic process because if a report from one of these entities is brought here, it can be rejected by motion so that the whole report is debated or even a motion to accept it.

So, there are instances where Members of Parliament will have a responsibility to get reports debated so that the public understands—for good or bad—what is going on. If they just put them on the website, the average Caymanian will not have access to it or will never know what's going on.

**Ms. Barbara E. Conolly:** Thank you, Mr. Chairman; following on from Mr. Harris' line of questioning regarding deficits.

What are the Ministry of Finance's concerns with regards to public bodies recording year to year deficits and what measures and/or support is being given to these entities to address their financial state?

I noticed in the Auditor General's report that the Ministry of Commerce, Planning and Infrastructure recorded deficits in both the 2018 and 2019 financial years. Can you speak to what you are doing to address the issue with that Ministry?

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** Sorry Mr. Chairman, I was checking if the Accountant General knew whether they have made any specific efforts to address that.

The answer is that the Ministry of Finance has not thus far reached out to ascertain if there is an ongoing problem with that Ministry. I really cannot answer the member's question about what efforts we have done to that regard.

It is obvious that we do not want those situations to exist, in fact, the strict legal position is that deficits should not occur. At worst, we should have a break-even situation, so deficits should not occur. We should have break-even or surplus positions within each individual Ministry, Portfolio and Office so that the government as a whole has a surplus, even if its \$1. So strictly speaking, even a break-even position is not acceptable; individual Ministries and Portfolios should be making surpluses as well.

**The Chairman:** Because all of those Ministries have the option to request supplementary expenditure before they do a programme that puts them in deficit.

**Mr. Kenneth Jefferson, Financial Secretary/Chief Officer, Ministry of Finance and Economic Development:** That is correct, Mr. Chairman.

Mr. Chairman, sorry, to answer member Connolly's question fully, I am concluding by saying that we will reach out to the Ministry of Commerce, Planning and Infrastructure to ascertain whether there is a fundamental ongoing issue that has caused the deficit. I want to say no, because in prior years we did not get that Ministry with a deficit situation.

**Ms. Barbara E. Conolly:** Mr. Chairman, thank you. To the witness, just following on the timeliness of the financial statements—reverting to that.

What are the consequences, if any, faced by the public bodies as a result of the late submissions of General Reports and Annual Statements to the Auditor General's Office? Are there any consequences as a result thereof?

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

Thank you, member Conolly. I will start by saying that to my knowledge there are no legal consequences, so there is no sanction within the Public Management and Finance Act for lateness.

In practical terms I think it probably erodes the confidence of the public in good management being exercised by the government of the day; so good governance issues come in to play. The public wants to know how the dollars it has actually paid to government are being spent, so to me the main consequence of untimely submission of financial statements is a public confidence issue.

There are other practical reasons as well, Mr. Chairman. If you were to extend that, for example to SAGCs, if they are late and they get into a situation where they need financing, then typically a bank would say, "*can you give me your latest financial statements*"—if they are two years behind, that makes it difficult to obtain financing.

For Central Government Agencies themselves there is no legal consequence for their lateness at the moment, apart from the public erosion of good governance being in existence. There is perhaps, the embarrassment of forums like this, where the issue is publically aired.

Those would be my answers as consequences. I think the statutory authorities have a greater practical consequence to lateness if that does arise.

**Mr. Austin O. Harris, Jr.:** Thank you Mr. Chairman. Again, I want to thank the witness for the testimony being provided and I also want to continue to commend the oversight body; the Financial Secretary and the Accountant General but also the Ministry of Finance and Economic development for what the Auditor General has also indicated was an improvement in the process of the delivery of financial statements and annual reports.

It also noted, I think in paragraph 16 of the Auditor General's report contained on page 7, that 36 audits for the 2019 financial year have been completed and all have received an unqualified audit opinion; however, it made emphasis on "matter" or "other matter" in 9 of the 36 audits. Most significant in these "other matters", is the non-compliance of public bodies with section 47 of the Public Authorities Law. I think this is a key point in the observation of our esteemed Chairman, certainly from the Floor of the Legislative Assembly in recent years.

In March 2017 the Legislative Assembly passed a Public Authorities Law and it commenced on June 1<sup>st</sup> 2017 with the exception of section 47, which covered salary scales and job evaluations. Section 47, was slated to commence on the June 1<sup>st</sup> 2018, but was later deferred to June 2019.

In conducting the 2019 audits, the Office of the Auditor General noted a number of key sections of the Public Authorities Law that have directly affected the level of legislative compliance of some of the statutory authorities that were flagged. The most significant of these matters related to section 47 of the Public Authorities Law. For completeness, I think the key issue here—noted as a gap in the documents prepared—is that the Public Authorities Law requires **"all statutory authorities and government owned companies shall use the same salary scale as determined by Cabinet and all jobs are to be evaluated by the same job evaluation methodology."**

The Public Authorities Law also requires that **"after the date of the commencement where there is a difference between the terms and conditions of employment at a public authority and the public service the salary grades for remuneration in the public authority shall be adjusted accordingly to reduce such differences."**

We are seeing some of these challenges in salary adjustments as we talked about earlier on in previous hearings that have come before the Public Accounts Committee, the Cayman Turtle Centre as an example. I wonder if the Honourable Financial Secretary can explain to this Committee, what is the status of the compliance of public bodies with PAL 47 as it relates to their financial statements; again, the emphasis on "matter" or "other matter" opinions that the Auditor General has shared in 9 out of 36 audits.

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

Mr. Chairman, to elaborate briefly on what member Harris said, just to ensure that the listening public understands as well: the issue here is that there is a legal requirement for the statutory authorities and government companies to bring the remuneration that they pay their staff to be fairly consistent with an equivalent post within Central Government, if they can find one.

So, if you are an accountant in a statutory authority or government company, what is that salary compared to a Chief Financial Officer within government? That is the exercise that the Public Authorities Law actually requires to be done.

As the member said, that was to be started effective June 2019 and since we are dealing with the December 2019 year end, that has a direct bearing on the 31<sup>st</sup> December 2019 accounts. Hence the Auditor General notes it in their report—although not rising to the level of a qualification—pointing out that it is an important matter and so it is described—as the technical term is—"an emphasis of matter". It is being brought to the reader's attention that there is something important going on with this particular issue.

So Mr. Chairman, at the end of the exercise having been completed to compare the remuneration in statutory authorities with, if possible, their equivalent position in government, the possibilities are that:

- There is no need for change in the remuneration level within the statutory authority;
- The expenditures' level actually needs to increase—I think that is more likely to be the concern there.

I think the wording of the Law is such that—and in all practical terms—the expenditure level within the statutory authority would not actually decrease if it was the case that they were being paid more than the equivalent within government. So those are the possibilities.

The effective date, June 2019, means that the 2019 financials have been impacted by that, or it is an audit issue for the 2019 financial year. We checked

with the Portfolio of the Civil Service on the status of this exercise and got an update just this morning, which I would ask the Accountant General to share.

**Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development:** Mr. Chairman, we have gotten an update from the Deputy Governor and the Portfolio of the Civil Service who were heading up this exercise as they are responsible for job evaluations.

As at December, with the exception of the National Roads Authority, all SAGCs are either in the process or have completed the process of having their jobs evaluated under the government methodology. Of the 16 smaller entities (less than 100 employees), are all completed; of the 8 large entities (more than 100 employees), seven are in the process of being re-evaluated under the government's methodology.

**The Chairman:** Is part of the delay here that too much emphasis is being placed on the reduction of salaries? That the statutory authorities' salaries are being reduced to comply with government levels when it may be easier to get it done if the Civil Service looked at it as an opportunity to raise civil servants pay because the statutory bodies are out there competing more closely in the private sector, and sometimes—I am not saying it is all the time—their salary scales may better reflect what the market is demanding.

I think the information that has come to me over a period of time, is that many of the public authorities and statutory bodies feel that the exercise being done by government is to reduce their salary scales, as opposed to looking at a realistic market level and maybe bringing up some of the central civil servants' salaries.

**Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development:** Mr. Chair, I guess it could be a number of different things at play, because the higher-end salaries—so the CEOs in SAGCs—may be higher paid than the equivalent in the Civil Service (like the Chief Officers).

However, I think there is the other end of the spectrum, where the entry level posts in an SAGC may actually be remunerated lower than those in the Civil Service because obviously, we have a certain base-pay. So it could be a combination of things, but I think the delay is just the massive quantity of public servants. I think it is over 2000 employees that need to be evaluated. I am not sure how many posts that equates to, but it is just a large exercise in general.

**The Chairman:** Unfortunately, I have been around long enough with this Public Authorities Law, to know that during the genesis of it, it came out as, "This Law has to be put in place to control runaway public authorities and statutory companies". I believe some of that had substance to it but I think over the period

of time, we need to find a way to get this done and I think a part of it might be that instead of simply looking to bring the statutory authorities down, where they are above, is to bring the civil servants up or to come to some kind of halfway compromise.

I know of at least one instance where a CEO was handed a contract renewal with a substantial reduction in benefits and he said, "*Look, I am not taking that*", and walked away.

You probably would not know this, but in the process of evaluating this to comply with this section of the Law, has the government got an actuary to value what the social benefits of a central civil servant are, i.e. pension and health care, versus the statutory authorities and public authorities? Well, you know my position is that there should be no difference—anything owned by government should be in CINICO and Government Pension Plan and it should have been that way 15 years ago, but it is not that way. I think he mentioned the HSA earlier and I believe even today, the HSA is using a private sector provider to provide them with health insurance which seems kind of... but any way.

**Mr. Austin O. Harris, Jr.:** Thank you, Mr. Chairman.

When setting the tone for the Civil Service, the Deputy Governor stated that his goal is to achieve a World-Class Civil Service throughout the various government Ministries, Departments and Statutory Authorities and government owned companies.

A key part of achieving that status is compliance with the Public Management and Finance Law and relates to the provision of tabling Annual Reports at the same time Financial Statements are tabled and having them audited in a timely manner.

Another aspect of achieving this success is also ensuring compliance with the ever-changing accounting standards. A World-Class Civil Service suggests that it is one that complies with global standard, or global best-practice.

In terms of accounting standards in 2019, one financial reporting standard came into effect that had a significant and material implication on a number of statutory authorities and government owned companies and that was specifically the IFRS16, which dealt with lease instruments and certainly the government leases a number of properties; either as the home for Ministries and Departments or the service providers through which government delivers services to the general public.

I wonder if the Financial Secretary can state, in addition to reminding government owned companies, Departments and Ministries of their requirement to be compliant with both the Public Authorities Law and the Public Management and Finance Law, what is your Office doing to ensure that all public entities are also kept abreast of any new accounting standards that would otherwise be applicable to their financial reporting?

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

Mr. Chairman with your permission, I would like to ask the Accountant General to address that because his Department—Treasury—provides such a technical advice.

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

The Treasury Department annually conducts training on the IPSAS standards. We also strongly push the training of the AICPA. They have an annual summit, normally in November/December each year but separate and apart from that, the Treasury Department also provides one or two-day training on the actual standards itself because the CIPA training can be more related generally to accounting and so on. We want to have specific training on IPSAS and that is passed out to all SAGCs and all government Ministries and Portfolios.

In 2020 unfortunately, that training was delayed because of issues coordinating everything, so we only had it this month (2021). We also had training in December, but the actual training on the standards was actually done this month; we try to have annual standards training done for all staff.

Additionally, we issued instructions in regards to COVID expenditure just this morning actually as Ministries and Portfolios are in the process of preparing their accounts for audit and are due to submit them by the end of February. So we issued some general guidance and advised that if they have any specific questions that are not covered in the general guidance to please contact us and we will assist with that.

**The Chairman:** Can we ask you to make sure that the Audit Office has some record and maybe input into that training?

*[Inaudible interjection]*

**The Chairman:** Oh, okay.

**Mr. Austin O. Harris, Jr.:** Just before we part with the Financial Secretary I think it is important for the public to understand where we have come in this whole process and I just want to note a few key observations made by the Auditor General's Office in this regard.

In the Office's conclusions and recommendations contained on their general report for the 2019 financial audits, it states: **"The quality of financial reporting has improved significantly over recent years culminating into all public bodies being issued with an unqualified audit opinion so far for their financial statements. There's also been a marked increase in the number of entities**

**preparing and tabling annual reports rather than only financial statements, thereby meeting a key requirement of the Public Management and Finance Law and enhancing the level of accountability to key stakeholders.**

This is a story of progress, the Office observes in paragraph 74; it also states: **"I have also observed a reduction in the various controlled efficiencies that existed and although there are still a number of entities with some key areas of controlled weaknesses, there has been a decrease overall in the number of matters my Office has identified that need to be corrected."**

I just want to say congratulations to the Ministry of Finance and Economic Development for the hard work put in to this key issue of financial statements and annual reporting because we have come a long way. I think it is important that obviously we are not all aces yet, but it would be wrong of this Committee not to recognise the significant progress that the Ministry of Finance and Economic Development has made in this matter. I certainly want to encourage the continuation of achieving the desired outcomes as identified by the Auditor General's Office.

Again, just to highlight, the three most significant accountability and efficiency improvements that have been recommended are:

- 1) The timely laying of annual reports including the financial statements and audit opinions in the House of Parliament
- 2) The publication on that public body's and Parliament websites to improve accountability
- 3) Stronger, functional leadership being provided to all public bodies through the Ministry of Finance

Thank you and your staff, Honourable Financial Secretary and Accountant General, for the hard work; I feel it is important that we not lose sight of this progress, in particular the listening public. Do not lose sight.

We have—as the old Virginia Slims commercial said—*"come a long way, baby"*, in this issue. We have a little bit of work yet to do, but the signs and the expectations of success are positive, so I thank you very much.

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

Mr. Chairman, I would like to thank member Harris for his comments and also to say quickly, sir, that the government has done extremely well in improving, as the report acknowledges, the Financial Statements component of the Annual Reports—the dollars and cents document. We have done quite well at that.

I think for example, it may be mentioned in the report, I do not know the specific paragraph, for the financial year that ended June 30<sup>th</sup> 2010, no entities received a clean opinion—none. I think 83 per cent were qualified, meaning there were issues with them, and around 17 per cent were disclaimed of some sort. That was the position in June 2010. If you fast forward to now, December 31, 2019, there are audits to be done but of the ones completed, all of them are clean.

There are four or five more to go but it is possible to end up in a situation where for 2019, we have 100 per cent of the entities with clean opinions on their financial statements. We are not as good with the Annual Reports and Tabling; that is clear from the report.

The Auditor General said in her opening summary that there are 51 annual reports still untabled from a number of years ago. This morning I had a brief discussion with the Minister of Finance and he was a bit taken back by the fact and wants to know which ones are outstanding, so we will request the listing from the Audit Office. As I said, in his frequent meetings with Chief Officers, the Honourable Deputy Governor does encourage very strongly that Annual Reports should be tabled as soon as are available.

Just to round this off, Mr. Chairman, I think there has been a bit of confusion and there should not be. Annual Reports are required to be Tabled here; Ministries and Portfolios have Tabled their Financial Statements in the past, but it is really the Annual Reports that are important—inclusive of Financial Statements.

Thank you, Mr. Chairman.

**Mrs. Sue Winspear, Auditor General, Office of the Auditor General:** Thank you, Mr. Chairman.

Going back to yesterday's session on budgeting, there were two recommendations that, although quite rightly made to the Civil Service, actually impacted the way the Parliament operates. One of those was regarding section 11(5) Supplementary Budgets, where often they were not done in a timely way. I think there is a correlation between that and the laying of Annual Reports.

The other was that there should be a regular and routine meeting of the Parliament so that things can be complied within a timely way, because the PMFL requires that these are laid in the House within six months of the audit being completed and often they are not; that is in addition to the ones we have outstanding.

What would really help—and it would require all of the political Members of the House and the House Authorities—is for a more routine and regular meeting of the House.

Thank you.

**The Chairman:** Yeah, that has been my perennial song from my soapbox, we just cannot meet three

days every six months and do 40 laws and forget all the good work that we need to do. In this modern day, this Parliament needs to be meeting at a minimum, one day every two weeks with a rolling agenda so that things can get done in a timely fashion.

As I said earlier, I do not think enough accolades can be given to the Civil Service and the Audit Office for them to come from where we were in 2010, to where we are in 2020. I know COVID is going to get blamed for a lot of things, but the fact is that we could get the audits done during COVID, so now we cannot let some Departments slip by claiming that, "*I didn't have time to do this during COVID*". I would just like to suggest to the Ministry of Finance to keep the accounts up to date because it is important, having got there, that we stay there.

I can tell you from my involvement in the Commonwealth Public Accounts Association, there are not too many other countries—in fact, I would go out on a limb and say that I believe Cayman is probably the only one that is doing audits and tabling them and the Auditor General's report in the year after. I do not think there is any other country in the Commonwealth that is at that stage and that is no small accomplishment—thank you all very much.

Mr. Tibbetts, since you were under oath from yesterday, I did not swear you in today, but I thank you for your answers and release you from your oath. The meeting is adjourned until 1:30pm.

**Committee suspended at 11:57pm**

**Committee resumed at 2:16pm**

## **MINISTRY OF HEALTH, ENVIRONMENT, CULTURE AND HOUSING**

**The Chairman:** I would like to call the Committee back to order. Let the record show we have a quorum present. I will invite Mr. Chris to bring in Ms. Pouchie and Mr. Claxton.

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** I swear by Almighty God, that the evidence I shall give to this Honourable Parliament will be the truth, the whole truth, and nothing but the truth.

**Mr. Troy Claxton, Chief Financial Officer, Ministry of Health, Environment, Culture and Housing:** I swear by Almighty God, that the evidence I shall give to this Honourable House will be the truth, the whole truth, and nothing but the truth. Thank you.

**The Chairman:** Good afternoon Ms. Pouchie and Mr. Claxton, as you would have been informed we are here to talk about the audited accounts of the government. The report that we have before us says

Ministry of Health, Environment, Culture and Housing is behind 2016, 2017, 2018 and 2019. We just need to ask you a couple of questions about how we are going to get those brought up to date.

The rules are, whenever you answer a question, first just give your name and your title for the purposes of the Hansard.

Ms. Pouchie, I guess the first question is: can you give us some rationale as to why the Ministry is a couple years behind in their accounts?

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Nellie Pouchie, Acting Chief Officer in the Ministry of Health, Environment, Culture and Housing.

Mr. Chairman, first I want to thank you for the opportunity to come and speak about the outstanding audits for our Ministry today and to give some insight into what the issues have been in that regard.

So, our Ministry has currently three financial year audits outstanding—2016/17, 2018 and 2019. The main thing that I would say in the earlier years specifically that have hindering us has been some resourcing issues.

I am happy to say that our Ministry has made great strides in terms of identifying what those shortages were and being able to bring up the necessary resources now in the finance team. Specifically, to be able to get those audits on track again and be able to do what Mrs. Sue Winspear, Auditor General, Office of the Auditor General's Office is requiring of us in that regard.

**The Chairman:** Mostly related to personnel not . . .

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Yes sir.

**The Chairman:** Can you give us some commitment that you will or you have sat down with the Audit Office and you now have a plan to get these all sorted and also to deal with 2020?

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Yes, so I am happy to report that we have and that we have good collaboration with Mrs. Sue Winspear, Auditor General, Office of the Auditor General's Office currently and we are—both sides committed—to the deadlines that we have set. Currently, for our 2016/2017 audit, we are looking at having that completed—or the deadline we have set for that is—early February; 2018 by the end of February and/or 2019 and 2020 fiscal years, May and June of this year, respectively.

**The Chairman:** And obviously—just for the listening audience—the gap there would be because the Audit Office is going to get busy dealing with 2020 audits.

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** That is correct Sir.

**The Chairman:** Okay. What about the 2020? Do you expect to have those as soon as you get signed off, those will be basically ready to . . . so that we get all of this behind us by this year so that when we are ready to do 2021 we are up to date.

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Yes sir. It is imperative that we are up to date by June. So we have set that as our deadline as well and we are happy that the auditors are also agreeing that that will work on their end as well.

In terms of the window in which these audits work—or the reporting works—it does create some struggles on our end in terms of having to keep current with the fiscal year and then also do the audit. So, getting out of that backlog situation is absolutely imperative for us.

**The Chairman:** Okay, that is good to hear. Thank you very much.

Are there any issues that these backlogs are creating with your... I think you have a major capital project going on with the Mental Health Facility, are you able to manage that okay?

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Yeah, in terms of the Mental Health Facilities Project, that really got going in 2019, towards the end of 2019. In terms of the backlog positions right now, not so much that that would be affected. You'd see more so in 2020, the work that is been ongoing there.

**The Chairman:** My bad manners. . . I apologise for having you wait a whole half an hour for us to get started but it was because one of our members had a very pressing constituent matter that he had to deal with during lunch time and that took him a little while, so we appreciate you waiting so patiently and actually coming in with a smile. Most people would have come in with a long face and I would expect your man to have his sleeves rolled up.

*[Laughter]*

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** No problem sir.



**The Chairman:** As you know, from experience, this Public Accounts Committee tries to work collaboratively with all the Ministries—Finance Ministry and Mrs. Sue Winspear, Auditor General, Office of the Auditor General—to get the problem solved. We are not too heavily in to “Gotcha!” or pointing fingers. Our mission here is, “Let’s get it done!” and as quickly as possible and also accurately. That is important.

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Correct.

**The Chairman:** And I know you will.... I know from your... that you will see to that.

You were also—in 2019 I know—saddled with the advent of the COVID but you still think that you can manage or do you need... Would it help if we could get you some short term additional resources to help clean up the backlog or do you think you can manage that?

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** I think we are in a pretty good position where we are at now in terms of what’s outstanding on those audits and to be able to manage that with the time frame that we have established for June.

In terms of our 2020—because what we are doing—as we normally do so, I think it is important to note that we submit our financials within the statutory deadline on an annual basis. So that does happen.

Where the struggles come in is, by starting off in a backlog position, then the time window in which the Audit Office can really give us the timing in terms to do it. For example, if we are completing our accounts at December, Audit will have January and February available to really focus on us. We then have to have that time available to complete the prior year financials, keep up with the day-to-day and do audit in that window and be able to submit at the year-end time line of the two months but we have done that over the years. It is the audit part of it now, when audit is ready for us that we have struggled before and that was in the initial stages, in terms of being able then to focus on the audit and the current day-to-day and completing the year before. That is where we have strengthened our resources, so we feel very confident that we able to meet the June deadlines that we have mutually agreed upon.

**The Chairman:** Okay; any questions?

Well, thank you very much. We heard what we wanted to hear and we know that your commitment is serious and we look forward to assisting you wherever we can, right? And if you need any help from Mr. Tibbetts and he tells you he needs to go for a drive, you call me.

*[Laughter]*

**The Chairman:** Thank you very much though.

**Ms. Nellie Pouchie, Acting Chief Officer, Ministry of Health, Environment, Culture and Housing:** Okay sir. Thank you and I just wanted to thank Mrs. Sue Winspear, Auditor General, Office of the Auditor General’s Office as well and their team for their collaboration with us. Thank you.

## **CAYMAN ISLANDS AIRPORTS AUTHORITY**

**The Chairman:** Good afternoon Mr. Anderson and Ms. Thomas. As you know, you are here because the report we have before us says that you are a couple of years backlogged in your public accounts. We need to get some assurances and some explanations from you so that we can get a level of comfort that they are going to be done.

The rules are the same; the question will be asked and you just give your name and your title. So can you maybe give us the reasons why you are behind and see if we can sort it out and get you back on track?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Thank you, I will start and the CFO can chip in where necessary.

Albert Anderson, CEO, Cayman Islands, Airports Authority. Just to give some background—I joined the Airports Authority in March of 2014 and the CFO joined shortly after that. At that time, the Airport Authority’s audits were at least two years behind.

It took some time for us to get up to speed and to understand what was required to try to improve that situation. I think we are still a couple of years behind and the reasons for that really boils down to a resource issue over the years. We have had a challenge in terms of resources in our finance department. It is been a revolving door kind of situation for us.

We have also had a challenge finding the right resources locally so we started looking overseas as we had a challenge there. One of the reasons is it is very difficult at the airport to get your—and I am not saying this is the only reason but—one of the challenges we have found is its difficult to get an airport ID card because there is a whole process you have to go through. We have found over time that sometimes in waiting for that process to happen, people find another job and they just go.

So what we have done over the last few years; we have tried to fill that gap with temps. That is worked to a degree. It is not our ideal situation but it has helped to a degree to keep us at least treading water. Last year during 2020 we had a person on board just focusing on audit and that person is no

longer available to us, so now we are going through a process of trying to recruit someone to do that full-time.

I believe 2016/2017 is just about done. So it is just a matter of dotting some I's and crossing some T's now and that will be done. Over the past year or two we have been working on the 2018/19... Well, the financials are submitted. We have been working on preparing the schedules—as far as we know—for the 2018 and 2019 audit, so it is just a case now of preparing for when the auditors come in and do the engagement. That is where we are at sir.

*[Inaudible interjection]*

**The Chairman:** Does the CIAA not operate the airport? How can you have problems getting an ID for your staff? Is that not something that you issue?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** We do, but there is a lot of regulation around being able to get an ID. There is a very intense background check that has to be done because you are working at an Airport.

**The Chairman:** So when you get this staff member now, you will have in the house, resources to complete these accounts and audits or are you still short staffed in your finance department?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** So what we are looking at now is contracting someone in or some people in to focus on audit. We still have a resource issue in-house that we need to resolve.

**The Chairman:** Is the board not approving you getting the resources that you need? My concern with that would be that your short term help can sort this out but in six months you'll be right back to where you were because you do not have the resources in-house to keep up.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yeah.

**The Chairman:** I do not subscribe to these short term resources. I think you need substantial posts because what you are going to lose now is the learning curve that that person goes through, to go through these audits and then you bring somebody else in new again. So what reason is the board giving you for not having your finance department properly resourced?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** No, the board has absolutely given us the vacancies to fill. What we have had is people come in and leave and it is just been happening over and over for various reasons.

Some left of their own accord and some were asked to leave. That is how we have arrived at where we are today. If we were to look back maybe two or three years ago we had a fairly substantial team in the finance department but we have just gone through this period of "discontent"—for lack of a better word. So we are trying to rectify that but at the same time, looking to get resource in to focus on audit.

**The Chairman:** Mr. Austin.

**Mr. Austin O. Harris, Jr.:** Thank you Mr. Chairman. On the question of resources and I appreciate how time consuming both are, in terms of cost, as well as time in training individuals who leave for whatever reason.

Since the emergence of COVID-19, entities that rely on tourism or in this case, the movement of passengers through an airport, will be negatively affected in terms of revenue.

When we talk about ensuring that the Cayman Islands Airports Authority has in place the necessary the human capital resources to get caught up on these outstanding audits, does the Airports Authority have the budgetary assets to pay these persons—these qualified persons that they would require—in order to have this matter settled? Is funding an issue and particularly looking at 2020 and beyond, is revenue going to be a problem for the Airports Authority to fund these positions.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Funding was not an issue in the past; 2020 kind of changed that a bit but we are in a position now that we can hire.

As far as the outlook goes, the outlook from our perspective is that things will slowly get back to where they used to be but the timing of that, we do not know. We have had good support from Central Government and if that continues I am sure we'll be able to handle it.

**The Chairman:** So you do not have a specific timeline to, for instance, get the 2016 done by the end of February—well it is the end of January now—because you will get caught up now in the busy period for the Audit Department of March, April, May and June, and then have a serious commitment and then in June and July to clear up the other three. Is it possible to get an agreement with the Audit Office on that kind of time line and let us know?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Yeah, I think we need to sit with them and agree that timeline. As I said, 2016 and 2017 are now pretty much done.

**The Chairman:** So that should be done by the end of February?

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** Absolutely.

**The Chairman:** Okay

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** We think we are prepared for 2018 but of course we need to have that initial meeting with Audit to understand exactly what they require so they we can kick that one off. By then we hope to have a resource or two in place that can work 100 per cent with Mrs. Sue Winspear, Auditor General, Office of the Auditor General.

**The Chairman:** Any more questions?

Well, thank you very much Mr. Anderson and Ms. Thomas. We look forward to getting that agreement—well I hope you could get that done next week—and just email a copy of it to Mrs Priestley here, that same person that sent out that wonderful invitation, “Golden Age” and all that kind of stuff with flowers on it, by next Friday.

[Laughter]

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** [We will.](#)

**The Chairman:** What we want is a timeframe; for 2016/2017 it is by the end of February and then sometime in—depending on the Audit Office’s schedule—to get for 2018, 2019 and 2020. We want to have 2020 done before you get around to when you have to start doing 2021. We do not want to get in towards the end of 2020 and you are still in a backlog where you cannot deal with 2021. You were saying Mr. Tibbetts?

**Mr. Matthew Tibbetts, Accountant General, Ministry of Finance and Economic Development:** Mr. Chair, I am just conscious that they have a few years outstanding but I also wanted to get some kind of confirmation that the 2020 accounts would be submitted by the timeline, which is by the end of February, including a quality submission with the schedules and everything.

**Mr. Albert Anderson, Chief Executive Officer, Cayman Islands Airports Authority:** [Yes, we will have 2020 ready by the end of February.](#)

**The Chairman:** Then we get the time frame to get them audited. Alright sir, thank you very much. Have a good weekend.

The Committee is adjourned sine die.

**At 2:41pm the Committee adjourned sine die.**