



Government Minute

The Government's Responses to the Reports of the
Standing Public Accounts Committee on the Reports of
the Auditor General

October 2016

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Terms of Reference

AGIS	Advanced Global Intercompany System
CFO	Chief Financial Officer
CO	Chief Officer
Committee	Public Accounts Committee
CPA	Central Planning Authority
CSD	Computer Services Department
DCB	Development Control Board
DCFS	Department of Children and Family Services
EPS	Entire Public Sector
ESO	Economic and Statistics Office
IPSASB	International Public Sector Accounting Standards Board
IRIS	Integrated Revenue Information System
IT	Information Technology
Law	Public Management and Finance Law (2013 Revision)
NAU	Needs Assessment Unit
OAG	Office of the Auditor General
OBC	Outline Business Case
PAC	Public Accounts Committee
PMFL	Public Management and Finance Law (2013 Revision)
PoCS	Portfolio of Civil Service
SAGC	Statutory Authorities and Government Companies

Background

Section 77(7) of the Legislative Assembly Standing Orders (2006 Revision) states that the Government Minute shall be laid on the Table of the House within three months of laying of the report of the Standing Public Accounts Committee and of the report of the Auditor General to which it relates.

The Government Minute constitutes the Government's response to the Reports of the PAC and the reports of the Auditor General to which they relate to.

The statements contained in the Government Minute are based on the views of the respective Chief Officers, Heads of Departments and Managing Directors within the Cayman Islands Public Service.

This Government Minute is in response to the Reports of the Standing Public Accounts Committee on the following Reports of the Auditor General:

1. Financial and Performance Reporting –Statutory Authorities and Government Companies for the years ending 30 June 2013 and 2014 (September 2015);
2. Financial and Performance Reporting – Ministries, Portfolios and Offices for the years ending 30 June 2013 and 2014 (September 2015);
3. Financial and Performance Reporting – Entire Public Sector for the year ending 30 June 2014 (September 2015);
4. Government Programmes Supporting Those in Need (May 2015);
5. National Land Development and Government Real Property (June 2015);
6. Management of Travel and Hospitality Expenditures (May 2014);
7. Collecting Government Revenues (September 2015);
8. Government IT Securities (September 2015);
9. Major Capital Projects - Building Schools (May 2015); and
10. Management of the Nation Building Programme (July 2015).

First Report of Session 2015-16 - Ministry of Finance and Economic Development - Financial and Performance Reporting of Statutory Authorities and Government Companies; Entire Public Sector; and Portfolios and Ministries for the years ending 30 June 2013 and 2014 (September 2015)

Introduction from the Committee

The objective of the audits was to review the financial and performance reporting of Statutory Authorities and Government Companies; Entire Public Sector; and Portfolios and Ministries for the years ending 30 June 2013 and 2014.

The Committee agrees with the findings and recommendations of the Auditor General in this Report.

Background Resources

- Report of the Office of the Auditor General on Financial and Performance Reporting – Statutory Authorities and Government Companies for the years ending 30 June 2013 and 2014 (September 2015);
- Report of the Office of the Auditor General on Financial and Performance Reporting – Ministries, Portfolios and Offices for the years ending 30 June 2013 and 2014 (September 2015);
- Report of the Office of the Auditor General on Financial and Performance Reporting – Entire Public Sector for the year ending 30 June 2014 (September 2015); and
- PAC Report: Financial and Performance Reporting the Cayman Islands Government Statutory Authorities and Government Companies, Entire Public Sector, and Ministries and Portfolios for the years ending 30 June 2013 and 2014.

Recommendation 1: The Government should develop a clear plan and set goals for the material achievement of accountability as required by the PMFL, in both the short and medium term. The Government should report progress on a regular basis, on achieving those goals, and provide them to the Legislative Assembly.

1.1 The Government agrees with this recommendation.

Target implementation date: December 2015

- 1.2 This plan is subject to change contingent on the proposed amendments to the PMFL.

Recommendation 2: The Government should prepare a Financial Statement Discussion and Analysis in line with the requirements of the IPSASB Recommended Practice Guide 2 to enhance accountability and transparency for the use of public resources.

- 2.1 The Government agrees with this recommendation.
- 2.2 The Financial Statement Discussion and Analysis was included in the 2013-14 Financial Statements and an expanded version was incorporated in the 31 October 2015 EPS submission.

Recommendation 3: Government should consider implementing IPSASB Recommended Practice Guide 3 on Reporting Service Performance Information to further enhance accountability and transparency, and provide demonstrable information on the services that they are providing to citizens.

- 3.1 The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.

Target implementation date: 31 December 2016

Recommendation 4: Management should consider the requirements of IPSASB accounting standards and implement control processes that ensure that the objectives of the standards are met. We have outlined a number of areas in detail in our report. There is a clear need for ownership in this entire process to minimize such issues as inconsistencies and non-compliance. Specifically:

- IPSAS 6 should be clearly analysed and reviewed to ensure that the consolidation process is performed in compliance to this standard; and
- Controls processes such as full intercompany balances reconciliation, proper identification and codification of transactions and balances that would require special adjustments during the consolidation process should be in place.

- 4.1 The Government agrees with this recommendation.

Target implementation date: 30 June 2016

Recommendation 5: The Government needs to review whether the system of using outputs for reporting against appropriations reported in the Schedule of Appropriations is appropriate. It also needs to put in place systems that are consistently applied across government to ensure that they can report on this fundamentally important accountability information.

5.1 The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.

Target implementation date: 31 December 2016.

Recommendation 6: The Government should consider establishing an Audit Committee for core government to act as a driver for continuous improvement in internal control, financial management and financial reporting across government and provide the Deputy Governor with the required assurance on the arrangements in place through a process of constructive challenge.

6.1 The Government agrees with this recommendation.

Target implementation date: 31 March 2017

Recommendation 7: The Government should drive the development of a risk management framework across the public sector to enable effective management of the risks to the achievement of the Government objectives, and inform decision making.

7.1 The Government agrees with this recommendation.

Target implementation date: 31 March 2017

Recommendation 8: Government should be proactive in considering the risk of fraud, by establishing an appropriate management framework applicable across the public sector. This should require mechanisms for identifying and responding to fraud risk factors, including the implementation of a fraud policy and fraud response plan, and developing a framework for the proactive reporting of fraud and suspected fraud to senior management and the Legislative Assembly.

8.1 The Government agrees with this recommendation.

Target implementation date: 31 March 2017

Recommendation 9: The Government should address the issues reported in our detailed reports on the General IT Control Environment and the IRIS upgrade as part of a coherent strategy for the management of IT resources.

9.1 The Government agrees with this recommendation.

Target implementation date: 31 December 2016

Recommendation 10: Management needs to develop robust systems of internal control which are consistently applied across the EPS for the effective management of executive revenues and expenses that provide assurance regarding the stewardship of public money to senior management.

10.1 The Government agrees with this recommendation.

Target implementation date: 31 December 2016.

First Report of Session 2015-16 - Ministry of Community Affairs, Youth and Sports – Government Programmes Supporting Those in Need (May 2015)

Introduction from the Committee

The objective of the audit was to determine whether social assistance programmes were strategically managed to achieve intended results and were delivered, with due regard to value-for-money, for the period set out in the Report.

The Committee was concerned that during the public hearing on the recommendations contained in the Report it was demonstrated that much work needs to be done to address the concerns of the Auditor General.

Background resources

- Report of the Office of the Auditor General on Government Programmes Supporting those in Need (May 2015); and
- PAC Report: Government Programmes Supporting those in Need

The Government acknowledges that much work needs to be done to address the concerns of the Auditor General and has set out its responses to the Report. The Committee is advised that subsequent to the Report, Cabinet determined that the Ministry of Community Affairs needs to develop an OBC using Project Future methodology in order to modernize social assistance programmes as it is an area of significant spending with considerable potential for improvement.

Recommendation 1: The Government should develop a coordinated social assistance strategy, including clear priorities and the specification of desired results, to provide overall direction for planning and delivering social assistance and monitoring the results achieved.

- 1.1 The Government accepts the recommendation. In order to implement this recommendation a formal approval from Cabinet is required. As of August 2016, this recommendation is in the scope for the OBC.

Recommendation 2: The Government should assess the manner in which roles, responsibilities and budgets are assigned, with a view to facilitating a coordinated social assistance strategy.

- 2.1 The Government agrees with the recommendation and this will form part of the coordinated social assistance programme once approved by Cabinet.

Recommendation 3: The Government should develop the means to measure and monitor performance, and to provide the Legislative Assembly with regular feedback on the results achieved by the social assistance programmes.

- 3.1 The Government agrees with this recommendation.
- 3.2 This should form part of the strategy as outline previously at responses 1 and 2 above. All the agencies involved in these processes are expected to develop mechanisms for monitoring, evaluation and reporting. Subject to additional resources being provided, the Government expects that this strategy would be implemented in the 2016-2017 budget year.

Recommendation 4: The Government should develop the means to obtain up-to-date information on potential needs for social assistance as well as information on trends in such needs to assist in the development and maintenance of a coordinated strategy.

- 4.1 The Government accepts the importance of this recommendation.
- 4.2 However, it is imperative that the responsible agency be adequately resourced in order to efficiently carry out this recommendation.
- 4.3 It should be noted that at present the NAU is understaffed and thereby unable to perform the necessary research required to determine trends and appropriate strategies.
- 4.4 Should the NAU be adequately staffed, the Unit would be able to coordinate this information with other Departments within the Government such as the ESO.

Recommendation 5: The Government should set clear, realistic and measurable objectives for each social assistance programme to provide a basis for assessing its performance.

- 5.1 The Government agrees with this recommendation.

- 5.2 The Government currently has policies in place for the following types of relief: Temporary Poor Relief, Permanent Poor Relief and Seamen Ex-gratia payments.
- 5.3 Since September 2014, the NAU is using a Ministry approved revised “Eligibility Criteria for all Forms of Poor Relief Assistance” policy.
- 5.4 Unfortunately, due to the NAU being severely understaffed implementing this recommendation would not be possible without additional resources.
- 5.5 The Government is also operating under a 2002 Cabinet approved policy to determine eligibility and in November, 2015 Cabinet approved the new the Seamen Criteria. The Government has proposed revisions to the criteria based on recommendations from the 2013 Internal Audit. These proposed changes are currently with the Minister responsible for Community Affairs, Youth and Sport for consideration and approval to be presented to Cabinet.
- 5.6 Whilst the Government agrees with the recommendation, it is imperative that additional human resources are obtained in order to effectively measure the impact of the financial assistance.
- 5.7 Clear and measurable objectives for medical insurance for Seamen are set out in Section 5 (4) of the Health Insurance Law (2013 Revision). Further, the Ministry has developed a Policy document for the enrolment of Seamen and Veterans for medical insurance which includes a basis of assessing the Programme.
- 5.8 To address the concerns regarding health insurance for Seamen and Veterans would require Cabinet making a policy decision.

Recommendation 6: The Government should develop legislation that provides appropriate authority for programmes to pay benefits to seamen and ex-service men, and arrange for the subsequent development of policies, criteria and operational procedures consistent with legislation.

- 6.1 The Government agrees with this recommendation and has revised the current Cabinet approved criteria for the benefits.
- 6.2 The proposed recommendations are currently before Cabinet for its consideration and approval. Additionally, the Ministry of Community Affairs further advises that this should form part of the elderly legislation and the social assistance strategy.

- 6.3 The medical insurance benefits for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). The Ministry of Finance and Economic Development has developed a policy document for the enrolment of Seamen and Veterans for Medical Insurance that sets out policies, criteria and operational procedures which are consistent with the Law.

Recommendation 7: The Government should follow through on the 2013-14 Strategic Policy Statement to amend the Poor Persons (Relief) Law and to develop accompanying regulations so as to provide sound legislative authority for poor relief programmes, including the basis for the development of criteria needed to effectively manage the programmes.

- 7.1 The Government agrees with this recommendation. However, in order to action the recommendation a policy decision is required to be made by Cabinet.
- 7.2 The Ministry of Community Affairs has drafted Regulations for the Poor Persons Relief Law and these should be presented to Cabinet for their consideration and approval prior to June 30, 2015. Furthermore, the Poor Persons Relief, Law needs to be amended to reflect the overarching philosophy of the social assistance strategy and best practice.
- 7.3 The Government is happy to report that after some unforeseen delays, draft Regulations are being reviewed by Legal Drafting.

Recommendation 8: The Department of Children and Family Services together with the Needs Assessment Unit should develop and document policies, eligibility criteria and procedures to guide the assessment of people as indigents for purposes of health insurance and medical services.

- 8.1 In accordance of Section 2 of the Health Insurance Law (2013 Revision), indigent persons are defined as *"a person, who, in the opinion of the Minister for the time being responsible for Social Services on the advice of the Director of Children and Family Services, is unable, by reason of inadequate financial resources, to pay for health insurance or medical services"*.
- 8.2 The DCFS has revised their policy for advising the Minister responsible for Social Services in regards to indigent medical and this is currently being reviewed.
- 8.3 Medical indigent coverage has been completed and implemented based on the requirements of the Health Insurance Law (2013 Revision).

Recommendation 9: The Government should ensure that regular re-assessments of eligibility are carried out in all programmes that determine eligibility on the basis of a person's financial circumstances.

- 9.1 In accordance with the recommendation in the Internal Audit for Seamen Ex-gratia Benefits, the continuation certificates will be sent out to all recipients of the ex-gratia benefit on a bi-annual basis. Through this process recipients will be reviewed as it relates to income, residency, deaths etc.
- 9.2 The NAU currently carries out regular assessments on persons requiring temporary assistance. However, due to the lack of human resources, re-assessments of persons receiving permanent financial assistance are currently not being conducted.
- 9.3 Since the Ministry of Finance & Economic Development assumed responsibility for the management and processing of health insurance benefits for seamen and veterans in November 2013, the Ministry liaises with the Cayman Islands Seafarers Association and the Veterans' and Seamen's society of Cayman Brac and Little Cayman on a regular basis to review Members' eligibility.
- 9.4 In addition, the Death Registry is reviewed on a monthly basis to ensure that Members are removed from the Programme in a timely manner. As a result of the regular re-assessments as at 28th February 2015, the number of Members receiving medical insurance benefits decreased by 47 since November 2013. At a health insurance premium of \$577 per month, this is a saving of approximately CI\$406,785 over the 15 month period.
- 9.5 In January 2014, persons seeking temporary poor relief were reassessed in order to determine continuation of their eligibility for financial services. However, persons on permanent poor relief will not be re-assessed pending additional resources to the NAU.
- 9.6 The NAU will begin the re-assessment in 2016-2017 financial year.
- 9.7 Recipients of the benefit at 30 June 2015 were grandfathered in, following a review of the Criteria by Cabinet in November 2015. The reassessment for those recipients will only include confirmation of residency except in cases of fraud or misrepresentation. For persons added after this date, reassessments will be done on a bi-annual basis through the Seamen's Continuation Confirmation Certificates.

- 9.8 Veterans will also be re-assessed on a bi-annual basis through the Veterans Continuation Confirmation Certificates.

Recommendation 10: The ministries responsible should take steps to ensure that eligibility for benefits is determined by robust and transparent application of eligibility criteria, and clearly supported by evidence in programme files.

- 10.1 Since September 2014, the NAU is operating on a Ministry approved policy for temporary poor relief. The policy outlines eligibility criteria which require the applicant to provide supporting documentation and specific requirements in order to receive financial assistance.
- 10.2 The eligibility criteria for medical insurance for Seamen and Veterans are set out in Section 5(4) of the Health Insurance Law (2013 Revision). Since the Ministry of Finance & Economic Development assumed responsibility for the management and processing of health insurance benefits for seamen and veterans in November 2013, the Ministry liaises with the Cayman Islands Seafarers Association and the Veterans' and Seamen's Society of Cayman Brac and Little Cayman on a regular basis to review Members' eligibility. In addition, the Death Registry is reviewed on a monthly basis to ensure that members are removed from the Programme in a timely manner.
- 10.3 The revised criteria was implemented in 2014 and is in scope for the OBC.

Recommendation 11: The Government should develop appropriate appeals processes and ensure that all applicants for benefits are provided with information about how to appeal decisions regarding their eligibility, including who will adjudicate the appeal and when they can expect to be informed of outcomes.

- 11.1 The Government agrees with this recommendation.
- 11.2 This process is conducted by the NAU in conjunction with the Ministry of Community Affairs and will be included in the draft Poor Persons Relief Regulations.
- 11.3 The Ministry of Finance & Economic Development will update the Appeals Process section of the Policy document for the Enrollment of the Seamen & Veterans for Medical Insurance to include the type of appeals what will be accepted (i.e. written, verbal etc.) and when applicants can expect to receive a response to an appeal.

11.4 The Ministry of Community Affairs is obtaining advice from Legal Drafting on including an appeals process in the draft Poor Persons (Relief) Regulations.

11.5 Seamen or veterans who do not meet the criteria and were denied based on the information on their application may appeal to the Complaints Commissioners.

Recommendation 12: The Government should ensure that social assistance programme terms and conditions are consistent with the resources available to the government for these purposes – including the resources required to administer the programs and provide quality services.

12.1 The Government agrees with this recommendation.

12.2 However, in order to meet the demand of the public, it will be necessary to ensure that the NAU is adequately resourced.

12.3 The implementation of this recommendation is dependent on NAU obtaining sufficient human resources to carry out the roles and responsibilities.

12.4 The Director of NAU will provide the Ministry of Community Affairs with a proposal to ensure that terms and conditions (service standards) are consistent.

First Report of Session 2016-16 - Ministry of Planning, Lands Agriculture, Housing and Infrastructure - National Land Development and Government Real Property (June 2015)

Introduction from the Committee

The objective of the audit was to determine whether the Cayman Islands Government is adequately managing land use and development to meet government objectives, both for the Cayman Islands in general and also for Crown Lands in particular during the period under review for the National Land Development and Government Real Property (June 2015).

The Committee agrees with the recommendations of the Report.

Background resources

- Report of the Office of the Auditor General on National Land Development and Government Real Property (June 2015); and
- PAC Report: National Land Development and Government Real Property

Recommendation 1: The Development Plan for the Cayman Islands should be comprehensively updated. The area approach suggested by the Public Service Review is worthy of consideration as an approach to this task.

- 1.1 The Government accepts this recommendation and agrees that a review of the National Development Plan for the Cayman Islands is overdue and required.
- 1.2 However, the Government, when balancing other matters of urgent priority against existing available resources was left in the unfortunate position of not being able to fund the review at the time of recommendation. However, such a review remains a priority of the Government.

Recommendation 2: The Crown Lands below the high water mark should be included in the national development plans and that:

- Cabinet be removed from the day-to-day operational decision making;
- A specific agency be made responsible for long range planning of off-shore development; and
- The CPA's discretion should be exercised in conformance with national policy, land use plans and advice from the Department of Environment.

- 2.1 The Government does not entirely agree with this recommendation.
- 2.2 There are significant issues and problems with including all Crown land (which includes the entire ocean floor within the territorial waters of the Cayman Islands waters i.e. the "Queen's bottom") within the National Development Plan. However a committee is being formed to look at this matter.

Recommendation 3: CPA and DCB hearing should be open to the public and should provide a rationale for their decisions.

- 3.1 The Government agrees with the recommendation in principle.
- 3.2 It is important that these entities preserve their independence from Government control, are entitled under the Development and Planning Law to, "regulate their own proceedings".

Recommendation 4: The register of interest for members of the CPA and DCB as required by the Standard in Public Life Law be implemented, immediately.

- 4.1 The Government agrees with the recommendations and confirms that a register of interests for members of the CPA and DCB has been implemented per the legal requirements of the Standards in Public Life Law.

Recommendation 5: The membership of the CPA and DCB should be balanced to include members representing sectors other than the building and development industry.

- 5.1 The Government agrees with this recommendation and will ensure that going forward the membership of the CPA and DBC is balanced.

Recommendation 6: The enforcement functions for planning, building and electrical codes and water should be independent from the planning function and should be appropriately staffed.

- 6.1 The Government does not agree with this recommendation.
- 6.2 It is the Government's view that functions are already independent from the "Planning function" (i.e. the planning approval process via the

CPA). It is not considered that any further specific action is required at this time. The matter will, however, continue to be monitored.

Recommendation 7: Laws, regulations and organizations involved in enforcement should be reviewed to ensure that technical experts responsible for public health and safety have the final say in the regulatory enforcement.

- 7.1 This recommendation is already in place.
- 7.2 The Government will take the view that the Technical expertise directed to those areas is deemed satisfactory for purpose. However, the matter will continue to be monitored.

Recommendation 8: The Lands and Survey Department should dispose of properties deemed surplus.

- 8.1 The Government agrees with this recommendation.
- 8.2 The disposal of surplus Government properties is being actioned via the Department of Lands and Survey.

Recommendation 9: The Ministry of Finance, the Registrar of Companies and the Department of Lands and Survey should develop procedures to ensure that properties acquired from defunct companies are appropriately accounted for and transferred to the Crown.

- 9.1 The Government agrees with this recommendation in principle.
- 9.2 The difficulties with putting in place a workable system should not underestimated.
- 9.3 The CO has established a committee to study this matter and to provide a draft Report which has been given to the CO who is currently reviewing the findings.
- 9.4 Appropriate action will be taken.

Recommendation 10: The Department of Lands and Survey should develop government-wide policies and processes to ensure the highest and best use of lands are well managed by all government agencies.

- 10.1 The Government agrees with this recommendation, generally.

10.2 However, decisions employing “highest” and “best” use will always remain subject to variations arising from the effect(s) of other socio-economic factors and Cabinet directives.

10.3 A draft Report on the issue is being prepared by a committee chaired by the Director of Lands and Survey. This Report will be reviewed thoroughly and appropriate actions will be taken.

Recommendation 11: The Government should comply with the PMFL and ensure it has authority for public expenditure.

11.1 The Government agrees with this recommendation.

Recommendation 12: The Government should follow the PMFL by ensuring the process for Legislative approval for all government expenditures, including those which may not require an immediate or direct outlay of funds.

12.1 This recommendation is accepted, generally.

Recommendation 13: The Public Sector Investment Committee and the Central Procurement Office should be established without delay and its mandate enlarged to include alternative financing initiative.

13.1 The Government agrees with this recommendation as a requirement under the PMFL.

13.2 The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.

Recommendation 14: The Ministry of Finance should implement policies and procedures to govern alternative financing initiatives. This responsibility should be considered when creating the Central Procurement Office as announced by government officials.

3.2 The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.

Response of Honourable D. Kurt Tibbetts, Minister Responsible for Planning, Lands, Agriculture, Housing and Infrastructure on the Public Accounts Committee Report on "Natural Land Development and Government Real Property"

The Ministry acknowledges the work of the Public Accounts Committee and the Office of the Auditor General in this matter. All recommendations and/or comments have been carefully considered by Ministry staff. The Ministry remains willing to continue the dialogue with the OAG with a view to making the requisite improvements in current processes and procedures.

In response to the direct recommendations and/or observations highlighted in the P.A.C. Report, I would comment as follows (paragraph numbers provided for reference):

9.03

It is my view that the Chief Officer and other Ministry staff fully engaged in the process and attempted to answer any and all questions put to them fairly and accurately. It should be noted that not all the recommendations and comments contained within the OAG's Report were ones which found universal acceptance or full agreement within the Ministry. In this regard, I think it important to note that disagreement does not equate to evasiveness.

The Chairman PAC has indicated that he had in his possession "evidence" that did not apparently support the answers given by Chief Officers. In the interests of fairness and transparency I firmly believe that this evidence should have been presented to the officers concerned in order for the matter to be dealt with at that time and with a view of bringing closure to the same. The Chief Officer and I remain willing and able to discuss the suggested inconsistencies with the Chairman and/or the Committee.

9.04

At the specific request of the Chairman and members of PAC, the Chief Officer PLAHI (in consultation with me) did in fact provide full and comprehensive timelines for implementation of certain recommendations and/or the completion of other requisite actions (eg preparation of Reports). This additional information (as is shown highlighted in yellow on the appendix attached) was provided to PAC during the proceedings.

9.05

I would (in part) reiterate my comments contained within 9.03 and add that it is clear that there are clear and distinct areas of responsibility which exist between the political (Minister) and non-political (i.e. Civil Service/Chief Officer) areas within Government and between Government (political and

non-political) and certain Statutory Authorities (e.g. Central Planning Authority). There are genuine areas where precise responsibility is unclear (both in law and in process) and in this regard the "persistent refusal to accept responsibility," as referred to by PAC must be balanced against differences of interpretation and opinion (e.g. the need for CPA/LA/The Governor to trigger the Development Plan review process).

9.06

I remain of the view that all staff within PLAHI endeavoured to provide full and honest answers to all questions, whilst also respecting their right to disagree with the opinions of PAC members and the OAG.

COMMENTS ON ADDITIONAL RECOMMENDATIONS INCLUDED WITHIN THE OAG REPORT:

#5: The membership of the CPA and the DCB should be balanced to include members representing sectors other than the building and development industry.

It is my view that the CPA/DCB membership is at present balanced. Efforts are always made to ensure that this is the case. The situation will be continually monitored going forward.

#6: The enforcement functions for planning, building and electrical codes and water should be independent from the planning function and should be appropriately staffed.

The OAG's general recommendation is not accepted insofar as it is my view and that of the Chief Officer that the functions are already independent from the, "Planning function" (i.e. the planning approval process via the C.P.A.). It is not considered that any further specific action is required at this time. The matter will, however, continue to be monitored.

#7: Laws, regulations and organizations involved in enforcement should be reviewed to ensure that technical experts responsible for public health and safety have the final say in regulatory enforcement.

It is my view that the process described in the recommendation exists at present. Technical expertise directed to those areas is deemed satisfactory for purpose. However, the matter will continue to be monitored.

#9: The Ministry of Finance, the Registrar of Companies and the Department of Lands and Survey should develop

procedures to ensure that properties acquired from defunct companies are appropriately accounted for and transferred to the Crown.

I am not in disagreement with the recommendation in principle although the difficulties in putting in place a workable system should not be underestimated. The Chief Officer has established a committee to study this matter and to provide a draft Report to him. This has now been received and is being reviewed. Appropriate action will be taken.

#10: The Department of Lands and Survey should develop government-wide policies and processes to ensure the highest and best use of lands are well managed by all government agencies.

I agree with the general recommendation whilst advising that any decisions based on, "highest and best", use will always remain subject to variations arising from the effect(s) of other socio-economic factors and Cabinet directives. A draft Report on the issue is being prepared by a committee chaired by the Director of Lands and Survey. This will be reviewed thoroughly and any appropriate actions taken.

#11: The Government should comply with the Public Management and Finance Law and ensure it has authority for public expenditure.

I fully agree with this recommendation.

#12: The Government should follow the PMFL by ensuring there is a process for Legislative approval for all government expenditures, including those which may not require an immediate or direct outlay of funds.

As the Chief Officer explained to PAC during the hearing, this is a recommendation more appropriately dealt with by the Minister/Ministry of Finance. However, as the recommendation relates to the Ministry of PLAHI it is generally accepted.

#13: The Public Sector Investment Committee and the Central Procurement Office should be established without delay and its mandate enlarged to include alternative financing initiatives.

This recommendation is more appropriately to be dealt with by the Minister/Ministry of Finance. As this is a legal requirement under PMFL, I am in agreement with the recommendation.

#14: The Ministry of Finance should implement policies and procedures to govern alternative financing initiatives. This responsibility should be considered when creating the Central Procurement Office as announced by government officials.

This is clearly a recommendation for the Minister/Ministry of Finance to address since it speaks directly to his/its responsibilities.

GENERAL COMMENTS ON OAG REPORT

The Report was useful in highlighting certain difficulties. These will be addressed. However, the Ministry does respectfully remain in disagreement with regard to certain observations and/or recommendations, viz:

- 1. Steps are being taken via the Deputy Governor's Office and the relevant Ministries (including PLAHI) to have one person/unit allocated to managing concession agreements in relation to the granting and implementation of the same.*
- 2. Whilst accepting the comments of the Financial Secretary (as provided at the PAC meeting) that concessions should be reported to Legislative Assembly, it is not accepted and/or agreed that it is practical, necessary or feasible for all concession agreements to be approved by the Legislative Assembly prior to their signing.*
- 3. I can confirm that full legal advice was taken via the Government's Legal department and the Attorney General (via his position in Cabinet) in relation to all parts of the agreement (s) that my government negotiated with DRCL.*
- 4. It is accepted that a review of the (National) Development Plan for the Cayman Islands is overdue and required. However, the Government, when balancing other urgent priority matters against existing available resources was left in the unfortunate position of not being able to fund the review at this time. However, such a review remains a priority.*
- 5. There are significant issues and problems with including all Crown land (which includes all the ocean floor within the Cayman Islands' territorial waters i.e. the "Queen's bottom") within the National*

Development Plan. However a committee is being formed to look at this matter.

6. *A register of interests for all members of CPA and DCB has been implemented per the legal requirements of the "Standards in Public Life" Law.*
7. *Whilst remaining supportive of the general principle that meetings of the CPA/DCB should be open to the public (in most circumstances) it is important that these entities, to preserve their independence from Government control, are entitled under the Development and Planning Law to, "regulate their own proceedings". This is the present situation.*
8. *Disposal of surplus Government properties is being actioned via the Department of Lands and Survey as part of the "Project Future" initiative.*
9. *Whilst accepting the need for a 'corporate' approach across Government, I feel compelled to stress that I and my Ministry cannot be held accountable for decisions taken (or not) in areas outside of its direct control (e.g. Ministry of Finance). Discussions will continue with the Financial Secretary and Minister of Finance regarding those issues straddling the respective areas of responsibility for each Ministry.*

Introduction from the Committee

The objective of the audit was to determine whether, in the period from 1st July, 2009 to 30th June 2012 official travel and hospitality expenditures were properly managed in core government entities (as defined by the Law) to ensure value for money; with due regard to existing risks, responsibilities and policies. The audit also considered significant transactions and their adherence to policies in the six (6) month period after 30th June, 2012.

Background resources

- Report of the Office of the Auditor General on Management of Travel and Hospitality Expenditures (May 2014); and
- PAC Report: Management of Travel and Hospitality Expenditures

The Government notes the Committee's comments stated in the Introduction and PAC Comments of the PAC Report, especially the concern that the scope of the audit carried out by the Auditor General was limited because the supporting documentation for the travel and hospitality expenditures was very poor, in some cases non-existent, and the records in the accounting system were unreliable and the need to enhance the management and retention of the supporting information.

It should be noted that since the enactment of the Law, supported by the Financial Regulations, Government agencies have been diligently improving and refining their operational systems, policies and procedures and ensuring that they are in compliance with the Law and the Regulations.

Recommendation 1: The Government should develop policies for the management of travel expenditures to include such areas as key financial controls and requirements for monitoring and disclosure.

- 1.1 The Government accepts this recommendation.
- 1.2 A travel policy was implemented in July 2013 which is mandatory across the civil service, irrespective of role or seniority. An audit of the travel policy provided useful information for updating the policy and a revised version was issued in July 2016. Training will be conducted by

the POCS during the 2016-2017 year to assist persons in the application of the policy.

Recommendation 2: The Government should develop a comprehensive policy that is clearly communicated to all staff. The policy should promote consistency, value for money, controls, accountability, and disclosure requirements. The policy should address issues such as consumption of alcohol and entertainment of third parties.

- 2.1 The Government accepts this recommendation.
- 2.2 The POCS will develop and implement a government-wide hospitality policy. In 2013-2014, the POCS adopted a centralized budget for staff Christmas functions which caps expenditure at CI\$25 per employee.
- 2.3 A draft Hospitality Policy has been drafted and circulated for feedback. This policy is expected to be finalized by 31 August, 2016.
- 2.4 Training will be facilitated by POCS as part of its output delivery during the 2016-2017 year.

Recommendation 3: The Government should agree to establish policies and procedures for travel and hospitality expenditures incurred by Members of the Legislative Assembly. The policies and procedures should clearly outline the principles of ensuring value for money in public expenditure, the circumstances in which expenditures can be incurred, the procedures and forms to be used, and the approval process that should be followed.

- 3.1 The Office of the Premier reports it has adopted the Travel Policy. Additionally, the Premier in a memo dated 9 October 2013, established guidelines for Ministers and Councillors in respect to the types of appropriate travel, who approves travel, how many Ministers can travel at the same time, size of delegations and reporting of travel (including costs), etc. The Clerk of the Legislative Assembly advises the Travel Policy is applied to travel for the Commonwealth Parliamentary Association of the Legislative Assembly.
- 3.2 The Deputy Governor's Office has noted that the civil service has very little control over ministers as they report to the Premier and to the public. The Premier has adopted the Travel Policy and agrees that it will apply to his ministers and to the members of his caucus.
- 3.3 It would therefore be for a CFO who is given a travel advance form to sign off, that it is not in compliance with the Travel Policy to, in the

first instance, bring that to the attention of their CO who would speak to the minister. If that does not work then they would raise the matter with the Deputy Governor who would take the matter to the Premier.

Recommendation 4: Government officials should implement the appropriate procedures and controls to ensure that travel expenses are incurred appropriately and official travel claims settled or accounted for on a timely basis in accordance with respective policies.

- 4.1 The Government accepts this recommendation.
- 4.2 The Internal Audit Unit conducted a review of the official travel expenditures to assess whether adequate systems were implemented to manage official travel; official travel transactions were properly authorised/approved; and, official travel was conducted in accordance with the Government's Official Travel Policy.

Recommendation 5: If proper evidence cannot be provided by senior officials and other current employees of the Government that they incurred the expenditures related to the travel advances that were written off, the Government should commence action to collect these amounts.

- 5.1 The Government accepts this recommendation in principle.
- 5.2 Unfortunately, insufficient information was provided in the Report to assess the viability of proceeding. The current Travel Policy seeks to avoid this risk by severely limiting the availability of travel advances, relying instead upon prescribed per diems.
- 5.3 No additional resources have been provided in the 2016-2017 budget year. All entities will ensure that official travels are undertaken in compliance with the Official Travel Policy

Recommendation 6: Government officials should implement the necessary procedures to process credit card payments to ensure that all laws, regulations and policies are observed.

- 6.1 The Government accepts the Committee's recommendation.
- 6.2 A Credit Card Policy is in place. The requirement for compliance with such policy will be reinforced with COs and CFOs.

- 6.3 No additional resources have been provided in the 2016-2017 budget year. All entities will ensure that expenses charged to credit cards are processed in compliance with the Official Travel Policy and the Credit Card Policy.

Recommendation 7: Government should provide training to COs and CFOs on their roles and responsibilities in relation to their obligations under the Public Management and Finance Law and Public Service Management Law.

- 7.1 The Government accepts the Committee's recommendation.
- 7.2 While COs and CFOs are expected to possess a sound understanding of their roles and responsibilities, continuing education will be provided on the nuances of these responsibilities within the context of the evolving nature of the policies, laws and regulations applicable to the civil service. Such training will be provided.
- 7.3 The Ministry of Finance & Economic Development has drafted an accounting manual to assist accounting officers in ensuring appropriate treatment of transactions in accordance with the Law.
- 7.4 During the 2016/17 financial year, as a part of the PoCS' output delivery, the PoCS will also facilitate training sessions to assist persons in the application of the policy.
- 7.5 Additionally, the Ministry of Finance & Economic Development has drafted an accounting manual to serve as a guide for accounting officers; as well as facilitate a common understanding and treatment of accounting transactions.

Recommendation 8: The Government should implement our previous recommendations and develop clear guidance around the processing of and accounting for transactions relating to travel and hospitality. It should also develop and implement adequate controls to provide for monitoring of travel and hospitality expenditures and ensure value for money.

- 8.1 The Government accepts the Committee's recommendation in principle.
- 8.2 The Audit Office is requested to provide the Office of the Deputy Governor with copies of its previous recommendations as these are only vaguely referenced in the Report.

- 8.3 A revised version of the Travel Policy was issued in July 2016 to provide further clarifications in its application.
- 8.4 A draft Hospitality Policy has also been developed and circulated for feedback. This Policy will be finalised by 31st August 2016.
- 8.5 The Ministry of Finance & Economic Development has also drafted an accounting manual to serve as a guide for accounting officers; as well as facilitate a common understanding and treatment of accounting transactions.
- 8.6 During the 2016-2017 financial year as a part of the PoCS' output delivery, the PoCS will facilitate training sessions to assist persons in the application of the Travel and Hospitality Policies.
- 8.7 Additionally, the Ministry of Finance & Economic Development will continue to hold meetings with CFOs to ensure the appropriate and consistent application of the requirements of the accounting manual.

Recommendation 9: The Government should develop a policy and provide sufficient guidance to officials for the proactive disclosure of information on travel and hospitality expenditures.

- 9.1 The Government accepts this recommendation.
- 9.2 As a part of the Travel Policy, the travel expenses of COs, Deputy COs, Heads of Departments and Deputy Heads of Departments (and equivalents in all cases) are required to publish in a standard format.
- 9.3 The draft Hospitality Policy also requires that a record of hospitality received and offered be retained and disclosed in a standard format.
- 9.4 During the 2016-2017 financial year as a part of the PoCS' output delivery, the PoCS will facilitate training sessions to assist persons in the application of the Travel and Hospitality Policies.

Recommendation 10: The Government should institute procedures to ensure the accuracy of responses to Freedom of Information requests and should implement the accounting procedures necessary to extract from the system information about an individual's expenditures.

- 10.1 During the 2016-2017 financial year, as a part of the PoCS' output delivery, the PoCS will facilitate training sessions to assist persons in the application of the Travel and Hospitality Policies

10.2 Additionally, the Ministry of Finance & Economic Development will continue to hold meetings with CFOs to ensure the appropriate and consistent application of the requirements of the accounting manual.

Recommendation 11: Because of their nature, we recommend that the details of all travel and hospitality expenditures incurred by elected representatives be disclosed by government within a reasonable time on the Government website.

11.1 The Office of the Premier advises that travel reports have been and will continue to be proactively disclosed for Ministers.

11.2 As noted previously, the civil service has very little control over ministers. Ministers report to the Premier and to the public. The Premier has adopted the Travel Policy and said he wants it to apply to his ministers and to the members of his caucus.

11.3 With that mandate it would therefore be for a CFO who is given a travel advance form to sign off, that is not in compliance with the Travel Policy to, in the first instance, bring that to the attention of their CO who would speak to the minister. If that does not work then they would raise the matter with the Deputy Governor who would take the matter to the Premier.

Introduction from the Committee

The objective of the audit was to review the management framework needed to ensure that the Government collects and manages revenues efficiently and effectively, in accordance with established legislation and regulations. The Committee endorses the seven recommendations of the Auditor General.

The Committee is pleased that management has placed reasonable timelines on the implementation of these recommendations and that evidence given as an update by the Auditor General and management indicated good progress.

Background resources

- Report of the Office of the Auditor General on Collecting Government Revenues (September 2015); and
- PAC Report: Collecting Government Revenues.

Recommendation 1: The Government should formalize policies and procedures to provide documented and consistent roles, responsibilities and accountabilities for all parts of the revenue waiver process, including a set of decision criteria on which to assess revenue waiver applications, and a formalized records management process

- 1.1 The Government accepts this recommendation.
- 1.2 The Department will develop formal policy and procedures related to revenue waivers which provide documented and consistent roles, responsibilities and accountabilities for all parts of the revenue waiver process, including a set of decision criteria on which to assess revenue waiver applications, and a formalized records management process.

Target implementation date: 31 December 2016.

Recommendation 2: The Government should implement a formal risk management framework that includes the identification, assessment and prioritization of risks to revenue objectives.

- 2.1 The Government accepts this recommendation.

Target implementation date: 31 December 2016

- 2.2 Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016.

Recommendation 3: The Government should carry out an efficiency study of its revenue collection processes and identify opportunities to improve operational efficiencies, including better utilization of its people and its automated systems to provide value-for-money in its revenue collection practices.

- 3.1 The Government accepts this recommendation.

Target implementation date: 31 March 2017

- 3.2 The Ministry of Finance and Economic Development is considering and investigating the value of introducing Oracle's AGIS for the purpose of interagency charging. This investigation requires the review of revenue collection systems and their ability to interface with Government's central accounting system, IRIS.

Recommendation 4: The Government should review its control frameworks for collection of revenues and, where necessary, develop and implement appropriate controls to ensure that all revenues due to the Government are collected.

- 4.1 The Government accepts this recommendation.

Target implementation date: 31 December 2016

- 4.2 The Ministry of Finance and Economic Development and the Department of Tourism will be seeking assistance from the Internal Audit Unit in executing this recommendation. Both entities lack the human capital necessary to implement effective measures to address revenue verification/completeness in the immediate future.

Recommendation 5: The Government should review the current framework for the collection of work permit fees to streamline the fee structure and work flows in order to improve efficiency and reduce the opportunity for improper recording of revenue collection information.

- 5.1 The Government accepts this recommendation.

- 5.2 The work permit fee structure is being actively addressed at the operational level by the Department of Immigration and strategically by the Ministry of Home Affairs, with the intent of recommending a simplified work fee structure and process which recognizes industry uniqueness, has minimal impact on revenue and is complementary to other occupation codes.

Recommendation 6: Government should ensure that timely financial reports are provided to Cabinet and the Legislative Assembly and that more emphasis is placed on producing audited Entire Public Sector consolidated financial statements to provide the necessary accountability required by the PMFL.

- 6.1 The Government is in compliance with Cabinet directives and PMFL.
- 6.2 Currently the Ministry of Finance and Economic Development provides monthly financial reports to the Minister for Finance and quarterly financial reports to Cabinet within the agreed timelines. Additionally, the PMFL only requires the annual financial statements be presented to the Legislative Assembly.
- 6.3 EPS accounts have been submitted to the Auditor General's Office within the statutory deadline for the past three fiscal years.

Recommendation 7: The Government should develop a performance reporting framework including objectives, goals, performance indicators and performance analysis that would include responsibilities for the collection of revenue.

- 7.1 The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.
- 7.2 Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by 31 December 2016.

First Report of Session 2015-16 - Ministry of Home Affairs - Government IT Security (September 2015)

Introduction

The objective of the audit was to review the confidentiality, integrity and availability of the Government information technology system and provide information on the possibility of security breaches and threats.

The Committee agrees with and supports the recommendations made by the Auditor General in this Report.

Background resources

- Report of the Office of the Auditor General on Government IT Security (September 2015); and
- PAC Report: Government IT Security

Recommendation 1: Prepare a strategic plan for the development and implementation of Information Technology across the Government aligned with the Government's strategic priorities, providing a clear guide for the ongoing investment and creation of value in Information Technology

- 1.1 The Government agrees with this recommendation.
- 1.2 The Government Information Security Staff have also created Emergency and Long Term Information Security Plans.
- 1.3 All new Projects will be required to adhere to the Government security standards and policies.

Recommendation 2: Establish an IT Governance Framework with clear accountability and responsibility for IT and information security at senior (CO) level within the civil service. Across the entire public sector establish clear ownership and accountability for information and IT assets and expenditures as well as information security.

- 2.1 The Government agrees with this recommendation.
- 2.2 The NIST has been selected and the Government has contracted G2 to develop the Framework in consultation with the COs (and Authorities which have opted into this initiative).

- 2.3 All COs have been interviewed and G2 are preparing the Target State Report for delivery by end of September 2016. Implementation is scheduled to commence thereafter.
- 2.4 CSD require all future major Information Systems Projects to be reviewed and prioritized by the IT Steering Committee.

Recommendation 3: Develop and embed risk management practices as part of the development and management of Information Technology across the Government.

- 3.1 The Government accepts this recommendation.
- 3.2 The CSD have introduced a formal Change Management practice to de-risk future developments and additions to the information systems architecture.
- 3.3 A Risk Table has been compiled and is maintained but is an immature stage of growth.
- 3.4 This work will all with the NIST Target Stage in due course.

Recommendation 4: Establish annual or periodic, global assessment of the IT and data security risks faced by the Government and develop an action plan to address the key threats and vulnerabilities, including those identified in our detailed report.

- 4.1 The Government agrees with this recommendation.
- 4.2 An initial Annual Assessment was conducted by CSD in January 2016. Going forward, the assessment will be conducted annually in conformance with the NIST Framework.
- 4.3 The (ITIL-compliant) HEAT Service Management application set has been procured and is currently in the delivery phase, due to be in Service by end of 2016.
- 4.4 ITIL Training to Foundation Level for all CSD staff will commence in October 2016.
- 4.5 Annual software licensing and monthly patching schedules have been introduced based on key vendor schedules including Oracle, Unix, Windows and VMWare environments.

Recommendation 5: Develop processes to regularly assess risk, vulnerabilities and review resilience planning for critical information assets. Monitor controls established in response to identified risk.

- 5.1 The Government agrees with this recommendation.
- 5.2 The HEAT toolset and introduction of the ITIL Processes will significantly mitigate the risk of current ad hoc processes.
- 5.3 A Certified Vendor Community will be assessed in order to prevent weak external security management contaminating the Government's internal network.

Recommendation 6: Develop and implement IT information security policies across Government, including robust reporting mechanisms for data breaches and losses. In conjunction with this raise awareness about IT and information security across government at all levels, and going forward to ensure it is a key component of ongoing development programmes.

- 6.1 The Government agrees with this recommendation.
- 6.2 The Cabinet Office has sponsored the creation of the Cayman Islands Government Security Committee.
- 6.3 Key projects including Enterprise Firewall have commenced and are now in the delivery phase, and the current enterprise backup solution will be replaced with modern solutions from Veeam to Zerto.
- 6.4 Enhanced monitoring and reporting tools are being introduced including:
 - CHEF for Linux Automation;
 - Solar Winds for network monitoring;
 - Nessus for vulnerability scanning;
 - Imperva web application firewall; and
 - Sawmill log analyser form.

Introduction from the Committee

The objective of the audit was to determine whether, the Government managed the completion of the construction of the Clifton Hunter High School and the John Gray High School, and the construction of the primary schools within a management framework that ensured that value for money was obtained from these public investments.

The Committee agrees with and accepts the two recommendations made by the Auditor General in his Report. The Committee urges the Government to implement the recommendations as a matter of priority, given the number of major capital projects that either have commenced or are about to be undertaken.

Background resources

- Report of the Office of the Auditor General on Major Capital Projects: Building Schools (May 2015); and
- PAC Report: Major Capital Projects: Building Schools

Recommendation 1: The Government should consider changing the governance framework, including amending the Public Management and Finance Law and Regulations, to improve the transparency of planning and budgeting processes that lead to requests for appropriations for specific major capital projects and improve accountability for major capital projects.

- 1.1 The Government agrees with this recommendation and will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.

Recommendation 2: The Government should carry out an assessment of the John Gray High School site project and develop a strategy to manage its risks and future development before Cabinet is requested to approve further funding.

- 2.1 The Government confirms that this approach is being employed in delivering the project. To that end, the project is being led by a project Steering Committee and has the benefit of a full-time Project Manager working as part of the Public Works Department Project

Management Office, which has oversight of all of Government's major capital works projects.

- 2.2 The Ministry of Education is employing the Strategic Assessment and Business Case approach required by the Public Management and Finance Law for phase 1 of the restarted project, which will lead to the completion of the gymnasium building. In order to develop these documents, the Ministry of Education has had several professional assessments of the gymnasium building completed, including all relevant aspects of the existing building.
- 2.3 The Business Case takes into proper consideration the risks involved in the project and the Steering Committee maintains proper oversight of the project in order to ensure that appropriate contingencies and mitigating strategies are in place for those risks. A similar approach will be used in the delivery of the Phase 2 Project, which will deal with the completion of the rest of the campus.

Introduction from the Committee

The objective of the audit was to determine, in the period under review, whether the Cayman Islands Government managed the Nation Building Programme affectively and with due regard to value for money, accountability and transparency; and whether program recipients used the funds for the intended purposes.

The Committee strongly recommends that Government take the necessary actions including the implementation of the recommendations made by the Auditor General to prevent re-occurrence.

The Committee strongly supports the implementations of the recommendations contained in this Report.

Background resources

- Report of the Office of the Auditor General on Management of the Nation Building Programme (July 2015); and
- PAC Report: Management of the Nation Building Programme (July 2015)

The Deputy Governor and Head of the Civil Service, Hon. Franz Manderson, thanks the Public Accounts Committee and the Office of the Auditor General for the report on the Management of the Nation Building Programme. Such reports identify opportunities for improving the delivery of government services and lead to government reviewing its practices and making improvements. Constructive feedback is an integral part of our governance framework.

The report which covers a period from 2009 to June 2013 highlights deficiencies in the handling of transfer payments under the Nation Building Fund. The challenge moving forward, therefore, is to ensure that there are clear and measurable policy objectives underpinning these public/private initiatives and clear internal controls on how such funds are spent.

It is the job of the civil servants to advise parliamentarians and ministers on the use of public funds and to put in place proper mechanisms around the formulation and delivery of programmes to achieve value for money. At the time the report was produced, the Hon. Deputy Governor assured the

Auditor General that all 3 recommendations would be taken seriously and necessary corrective changes implemented.

Recommendation 1: The Government should develop and implement a robust framework for the development and management of Government programmes in order to ensure that they are designed and delivered in line with its overall strategy and objectives and to achieve the desired results.

- 1.1 The Government agrees with this recommendation.
- 1.2 It is noted, however, that there already exists in many if not most instances, forms of programme outlines which establish objectives, deliverables and linkages to priority policy outcomes. However, such frameworks vary in both style and substance and as such a consistent, government-wide framework is better suited to the Cayman Islands Government's current size and complexity.
- 1.3 Since the PAC hearing on the matter, the Ministry of Finance and Economic Development along with the Office of the Deputy Governor has completed a governance framework for transfer payments.
- 1.4 The Project Future methodology has been adopted and rolled out across the civil service and provides a range of benefits for improved programme delivery including strengthening of governance practices as well as improving the success rate of programmes and projects. The methodology provides a robust framework for the implementation of government programmes and from the conceptualisation phase to programme implementation as well as post implementation review and assessment.
- 1.5 To date, we have trained 80 civil servants (including Members of Cabinet and COs) across the civil service in the methodology for developing business cases. Additionally, 75 civil servants have also been trained in project management and the use of project management software.

Recommendation 2: The Cayman Islands Government should ensure that appropriate roles and responsibilities are clearly articulated for all government programmes in line with the framework outlined in the Constitution and laws, and that they are administered by officials to ensure compliance with the law and to avoid the risk of abuse and waste of public funds.

- 2.1 The Government agrees with this recommendation.

- 2.2 Work had previously been carried out by the PoCS within the context of Good Governance to educate senior officials about their respective roles and responsibilities. This work will be expanded in partnership with the Ministry of Finance and Economic Development to articulate and provide dedicated training within the context of ensuring proper financial controls to promote accountability and improved value for money.
- 2.3 There is a shared commitment by the elected government and the civil service to improve the delivery of government programmes so as to avoid the risk of abuse and waste of public funds.
- 2.4 Since the PAC hearing on the matter, the Ministry of Finance and Economic Development along with the Office of the Deputy Governor has completed a governance framework for transfer payments. The framework addresses the roles and responsibilities for persons involved in the management of transfer payments.
- 2.5 The Procurement Bill, which will be debated during the October 2016 Meeting of the Legislative Assembly, focuses on the roles and responsibilities of public servants in the procurement process.

Recommendation 3: The Cayman Islands Government should develop a framework of policies and practices for the distribution of transfer payments that would ensure fairness and transparency as well as accountability for the use of the funds to achieve government's policy objectives.

- 3.1 The Government accepts this recommendation.
- 3.2 Nation building is a desirable objective and ultimately all Government expenditures should be aligned with the aim of improving the Cayman Islands and its people.
- 3.3 Partnering with Non-Governmental Organisations to achieve public policy is both necessary and desirable as the Civil Service does not hold a "monopoly" on the formulation and delivery of effective solutions to societal problems.
- 3.4 The use of transfer payments is a legitimate and legal instrument for providing relief, particularly to the most vulnerable persons in society or for other charitable purposes.

- 3.5 Equally true and borne out by this audit is that however well-intentioned such policy aims may be, where there is improper influence or programmes are ill designed without adequate articulation of (i) the nature of the problem purported to be addressed, (ii) the intervention which was proposed, (iii) how recipients would be selected to receive funding and most importantly, and (iv) how success would be measured and the consequence of failing to achieve the desired outcome, then such aims are destined to failure.
- 3.6 The programme in question was concluded some two years ago and while this audit is in some respects a historical account of a programme no longer in effect, the lessons continue to be highly relevant to lawmakers and bureaucrats.
- 3.7 This audit presents a real opportunity to improve the governance framework for transfer payments with an aim of ensuring proper segregation of roles and responsibilities, adequate internal controls, improved societal outcomes and enhanced public confidence in the government whether elected or career public officers.
- 3.8 Since the PAC hearing on the matter, the Ministry of Finance and Economic Development along with the Office of the Deputy Governor has completed a governance framework for transfer payments.