



The Government Minute

The Government's Response to a Report of the Standing Public Accounts
Committee on a Report of the Auditor General

February 2022

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IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY: FINANCIAL MANAGEMENT AND REPORTING - MAY 20212

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 Report of the Standing Public Accounts Committee tabled in the Legislative Assembly on 08 12 2021 on the following Report prepared by the Auditor General:

1. Improving Financial Accountability and Transparency: Financial Management and Reporting - May 2021.

Improving Financial Accountability and Transparency: Financial Management and Reporting

The Public Accounts Committee (“the Committee” or “PAC”) noted that “On review of the Office of the Auditor General’s Report on *Improving Financial Accountability and Transparency: Financial Management and Reporting – May 2021*, critical analysis of witness testimonies and deliberations amongst the Committee Members, the PAC endorses and strongly supports the sixteen (16) recommendations of the Auditor General and her team, noting also that management within the Civil Service has agreed with the Office of the Auditor General’s recommendations. The Public Accounts Committee makes no additional recommendations.”

Recommendation 1 - The Government should ensure that the internal control policy is fully implemented as soon as possible with a view to including full Statements of Responsibility for Internal Control in the 2022 financial statements.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

(Date of planned Implementation taken from original OAG report: 31 December, 2022)

It is planned that the Public Management and Finance Act (PMFA) will be amended to include a requirement for a full Statement of Responsibility for Internal Control, within financial statements, by the end of 2022. This statement will be required for all financial statements for the year ending 31 December 2022. A review of proposed amendments to the PMFA is currently underway.

Recommendation 2 - The Government should ensure that the new governance and financial management frameworks, including risk management and performance management, are implemented as soon as possible

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

(Date of planned implementation taken from original OAG report: 1st January 2024)

Modernising the Budgeting and Reporting Frameworks has been prioritised in 2022. The Committee tasked with updating the Budget and Reporting Frameworks has already held two meetings in 2022.

The Committee has approved the preparation and issuance of an RFP for the development of the Business Case for Modernising the Budgeting and Reporting Frameworks. It is anticipated that a successful consultant will be in place by 31 August 2022. This consultant will develop the Project Plan for modernizing the Budget and Reporting Frameworks.

Recommendation 3 - The Government should estimate the cost of fully implementing section 47 of the *Public Authorities Act* and ensure that sufficient funding is provided to statutory authorities and government companies in their future budgets.

Latest Government Update (February, 2022):

Portfolio of the Civil Service (PoCS)

This recommendation has been accepted and fully implemented.

Beginning in April 2020, despite the onset of the COVID-19 pandemic, PoCS successfully developed and deployed version 1 of the “PAL Costing Template”, a semi-automated Excel tool that allowed 16 SAGCs to easily populate salary information and determine the minimum cost of adopting the job evaluation results received from PoCS as part of the implementation of s. 47 of the PAL. Along with the roll-out of the Template, was the dissemination of comprehensive instructions for use.

In June 2021, an additional seven SAGCs, including the HSA, received version 2 of the Costing Template, which allowed said entities to make the appropriate calculations.

In total, 23 of the 24 SAGCs received the PAL Costing Template (note that the NRA did not participate in the project).

Included in the information sent to SAGCs were customized letters containing the following instruction:

- “The deadline for the submission of all feedback on job evaluation results is 18th June 2021, in **order to allow your agency to complete preparations for the upcoming annual budget process.**”

As can be seen, PoCS was clear in instructing SAGCs to complete the process in time to allow for 2022/23 budgeting.

Recommendation 4 - The Ministry of Finance and Economic Development should develop and implement an action plan to improve the quality of the entire public sector consolidated financial statements. The action plan should set out a roadmap for moving to a qualified audit opinion in the first instance and an unqualified audit opinion in the longer term. .

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

Management plans to formalize the action plan by 30 June 2022.

A Draft Action Plan has been prepared by the Ministry of Finance and Economic Development. Engagement of stakeholders/accountable parties is currently underway to further detail action points and agree timeline and deliverables.

Recommendation 5 - The Government should ensure that all annual reports provide an assessment of performance against the outputs and outcomes that are agreed in budget documents, including an explanation for any variances.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

Date of planned implementation taken from original OAG report: 28 February 2025.

The Ministry is on target to deliver this for the above implementation date. Progress to date includes:

- The Steering Committee for Modernizing the Government's Budget and Reporting Framework has held four meetings so far this year (2022). Coming out of these meetings, an RFP (for the Outline Business Case) has been prepared and will be issued 31st May 2022 with a planned execution of the contract by 31 August 2022.
- It is envisaged that the reporting against agreed outputs and outcomes will be reinstated in the Public Management and Finance Act as part of a modernised Outcome Performance Budgeting and Reporting Framework.

Recommendation 6 - The Government should require each entity to submit evidence for the actual delivery of outputs, compared with targets agreed in budget documents, to support the disbursement of funds.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

This requirement is already in place. Evidence of delivered outputs are required to be submitted to respective Ministers and Official Members of Cabinet for their sign-off/approval of "Cabinet billings" which, are forwarded to the Treasury Department for disbursement of funds to individual Ministries'/Portfolios'/Offices' bank accounts. Examples of evidence include employee timesheets, MS Excel tracking sheets or copies of tangible deliverables.

Recommendation 7 - The Government should ensure that annual reports and financial statements are tabled in the Parliament and made publicly available as soon as possible after the audit has been completed to improve transparency and accountability. Date of planned implementation: May 2022.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

(Date of planned implementation taken from original OAG report: May 2022)

The Ministry of Finance and Economic Development continues to seek the assistance of Chief Officers to ensure that all outstanding annual reports are Tabled in Parliament in a timely manner.

The Ministry of Finance and Economic Development continues to remind Chief Officers of their responsibility under Sections 44 and 52 of the Public Management and Finance Act, to Table Annual Reports which are under their responsibility, in a timely manner. In recent times, reminders were sent on 13 June 2019 and 21 January 2020. Reminders will be sent in February, March, April and May 2022 for outstanding Annual Reports to be Tabled during the upcoming Meeting of Parliament.

The significance of May 2022 is that the audits on the Annual Reports and Financial Statements for the 2021 Financial Year are required by statute to be completed by 30 April 2022. Reminders were sent out on 17 February 2022 and additional reminders will be sent out in March, April and May of 2022 as these Reports must go through Cabinet in advance of the May 2022 date in order to be Tabled in Parliament by May 2022 – the first month possible.

Recommendation 8 - The Parliament should update its Standing Orders to allow reports, including annual reports and financial statements, to be tabled throughout the year and not only when the Parliament has a meeting.

Latest Government Update (February, 2022):

This recommendation is not accepted, as it falls under the remit of the independent Parliament and not the Executive. However, the Deputy Governor forwarded the recommendation to the Honourable Premier and the Honourable Speaker of the House in February 2022, for their consideration.

Recommendation 9 - The Government should use quarterly reports to better inform decision making, including supplementary appropriations and revisions to future budgets.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

(Date of planned implementation taken from original OAG report: March 2023)

The Ministry is improving Quarterly Reporting and forecasting. Both will be used to

improve budgeting.

The Ministry currently publishes financial information for Core Government for the first, second and third quarter of each financial year as well as supplementary budgets at least once per financial year. It is intended that a monthly reforecast of the current and next budget year will be presented to Cabinet for review. Forecast templates have been designed and are currently being tested. A review of actual and past performance should always remain a factor in proper budgeting together with a review of any new, enhanced, discontinued or substituted programmes. A monthly reforecast on an ongoing basis should prompt this interrogative behaviour and result in more reliable budgeting.

Recommendation 10 - The Government should ensure that all entities publish their annual reports, including financial statements, on their websites as soon as possible after they have been tabled in the Parliament.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development:

(Date of planned implementation taken from original OAG report: May 2022)

The MFED (MFED) continues to remind Chief Officers of their responsibility under Sections 44 and 52 of the PMFA, to Table Annual Reports, in Parliament, which are under their responsibility, in a timely manner. In recent times, reminders were sent on 13 June 2019 and 21 January 2020. Most recently, a reminder was sent out on 17 February and additional reminders will be sent in March, April and May 2022 for outstanding Annual Reports to be Tabled during the upcoming Meeting of Parliament.

The review of Annual Reports with respect to the 2021 Financial Year and, the audit of its Financial Statements components are legally required to be completed – by the Auditor General’s Office - by 30 April 2022. Annual Reports are to be presented to Cabinet by 31 May 2022 and thereafter, Tabled in Parliament at its next Sitting. The MFED will send out reminders every month until May 2022 (i.e. February, March, April and May).

The Office of the Auditor General currently monitors the status of Tabling of Annual Reports.

Section 83 of the PMFA requires Chief Officers to post Annual Reports on a Government website. MFED, in its planned reminders stated above, will inform Chief Officers of the legal requirement to post Annual Reports to Government websites once, the Annual Reports have been Tabled in Parliament.

Recommendation 11 - The Government should ensure that all entities regularly proactively disclose information on travel and related expenses, and on gifts and hospitality, including ‘nil returns’, as set out in its policies.

Latest Government Update (February 2022):

Deputy Governor

The Deputy Governor addressed the matter of the resumption of normal proactive disclosures with Chief Officers in February, 2022.

In line with the *CIG Official Travel Policy*, Chief Officers have been directed to oversee and ensure the publication of Travel Declarations for the 2020/2021 financial year, by the end of July, 2022, and on an annual basis, thereafter, within 3 months of the end of the financial year to which the declaration pertains. These Travel Declarations are to be published on Ministry/Portfolio websites.

It should be noted, however, that as per *Personal Circular 2 of 2020- Restriction of Discretionary Travel*, all discretionary official overseas travel, meaning travel that is not business-critical, has been postponed or cancelled since 3 March, 2020.

In line with the *Personnel Circular 4 of 2017, ‘Offering or Receiving, Hospitality, Entertainment or Gifts’*, Chief Officers have also been directed to oversee and ensure the preparation of “Hospitality Registers” within their Ministry/Portfolio and associated Departments, by August 2022 for the 2021 financial year, and annually, thereafter, within 3 months of the end of the financial year to which the Register pertains. As required, the Registers are to cover all hospitality, entertainment or gifts with a notional or residual value over \$100 offered or received.

Where applicable, “Nil Returns” are to be recorded and reported.

Recommendation 12 - The Government should ensure that information on the award of contracts is published on relevant websites within the timescales specified in the Procurement Regulations.

Latest Government Update (February, 2022):

Procurement Office

The responsibility to publish information related to contract awards rests with Chief Officers and Chief Executive Officers of SAGCs.

By way of support, the Director of Procurement met with Chief Officers in March 2021, advised them of this responsibility and provided them with a template on how this could be satisfied. COs were also reminded that the obligations of in the laws and regulations also apply to Statutory Authorities and Government Companies and they were requested to facilitate completion of the

templates with the CEOs of SAGC that reside within their Ministries.

The Director also offered the support of the Central Procurement Office to publish this information on behalf of each Ministry/SAGC on the CIG's procurement website.

Recommendation 13 - The Government should amend the *Standards in Public Life Act* to require notice of interest forms to cover the entire financial year and should ensure that relevant information from these can be retained and used by public bodies to manage any potential conflicts of interest. Date of planned implementation: To be determined once discussed with newly appointed Commission.

Latest Government Update (February, 2022):

Commissions Secretariat

This matter was discussed by the Commission for Standards in Public Life (CSPL) in their meeting on 26th January 2022. The proposed revision was agreed in principle by the CSPL and will be communicated to the AG's Chambers for their final agreement of all legislative changes.

However, the Commissions Secretariat wished to point out that Recommendation 13 referred to 'notice of interest' forms, which can differ from one public service entity to another. The CSPL only governs declarations to the 'Register of Interests'.

Recommendation 14 – The Government should make anti-fraud training a mandatory annual requirement for all civil servants and all staff in statutory authorities and government companies.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

(Date of planned implementation taken from original OAG report: January 2022)

MFED has developed a comprehensive Anti-Fraud Policy, which is available on the Government's Intranet, and has been extended to Statutory Authorities and Government Companies by Cabinet approval.

In the past, there has been good take up of training on the anti-fraud policy that was provided online through the Civil Service College. The POCS has been consulted and has committed to making available anti-fraud courses that can be used as annual refresher courses for civil servants, by July 2022.

Recommendation 15 – To clearly demonstrate compliance with the Public Management and Finance Act, including requirements of the Framework for Fiscal Responsibility, the Government should a) Report interim performance against the principles of financial management, using unaudited financial information, when it announces the unaudited results for the financial year. b) Report performance against the principles in its annual report for the entire public sector, ensuring that figures have been updated to reflect the audited financial statements for the entire public sector. c) Provide explanations for any non-compliance.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

(Date of planned implementation taken from original OAG report: January 2022)

- a. Interim compliance with measurable elements of the Framework of Fiscal Responsibility (FFR) will be published as part of the Core Government 1st Quarter Report for 2022, in May 2022. It should be noted that some requirements mandate 12 months of data for FFR compliance and cannot be reliably measured for compliance.
- b. Compliance with FFR is normally included in the Annual Report for the Entire Public Sector. It should be noted that the audit of 2019 EPS Annual Report is currently being finalised and the 2020 Financial Statements will be the next possible set in which to comply with this recommendation.
- c. Any non-compliance is noted and fully explained in the EPS Annual Report.

Recommendation 16 – The Government should report the full value of the post-retirement obligations, including pension and healthcare, in the financial statements of the entire public sector.

Latest Government Update (February, 2022):

Ministry of Finance & Economic Development

The inclusion of the full value of post-retirement pension obligations are included in the financial statements of the Entire Public Sector. Post-retirement healthcare obligations are included in the notes of the financial statements only. This continues to the policy of the current Government.