

## Follow-up on past PAC recommendations





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# EXECUTIVE SUMMARY

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The Office of the Auditor General (OAG) published its first *Follow-up on past PAC recommendations* in July 2017. The purpose of the report was to assess how well the Cayman Islands Government (the Government) was implementing previous recommendations made by the Legislative Assembly's Public Accounts Committee (PAC) and the OAG.

This report provides an annual update to the PAC (as at October 2018) on how the Government has responded to its recommendations. It covers PAC reports issued during 2017 and the first quarter of 2018 to which the Government has formally responded. It also provides an update on progress with four reports that were assessed as having limited or some progress made in the 2017 report.<sup>1</sup>

## PAC REPORTS TABLED DURING 2017 AND 2018

The PAC tabled two reports in 2017 and a further two reports in the first quarter of 2018. The Government is required by (Section 77(7) of the Legislative Assembly Standing Orders (2018 Consolidation)) to formally respond within three months of the PAC laying an Auditor General report in the House. The Government provided its formal response to these four reports in its Government Minute of June 2018, which was laid in the Legislative Assembly on 28 June 2018.

In its August 2017 report, that PAC stated that Government needed to take more seriously how it responded to the PAC's recommendations and the submission of Government Minutes, as they are an integral part of the accountability process. The PAC also stated that future Government Minutes should be factual, informative, thorough and real-time updates on progress; and that they should identify resources needed to implement the recommendations and when they would be available.

In its response, the Government has committed to providing the PAC with timely presentation of the Government Minute and appropriate responses to PAC recommendations. The Government has responded to the two PAC reports from March 2018 within the three month timescale (allowing for dates of Legislative Assembly sittings). However, the Government's responses to the two PAC reports tabled in 2017 were not received within the three months required by the Standing Order; one was 12 months late and the other was 7 months late.

Exhibit 1 summarises the four PAC reports tabled between January 2017 and March 2018 that are covered by this report.

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<sup>1</sup> *Follow-up on past PAC recommendations*, Office of the Auditor General, July 2017

**Exhibit 1 – Public Accounts Committee reports tabled in the Legislative Assembly between January 2017 and March 2018**

| <b>Report of the Standing Public Accounts Committee on the:</b>   | <b>Date tabled in the Legislative Assembly</b> | <b>Date Government Minute due</b> | <b>Date Government Minute received</b> |
|---|--|-----------------------------------|--|
| <b>Reports of the Office of the Auditor General on Cayman Islands Health System (January 2017) and Ensuring Quality Health Care and a Healthy Population (January 2017).</b>    | 27 March 2017                                  | 27 June 2017                      | 28 June 2018                           |
| <b>Reports of the Office of the Auditor General on Follow-Up on Past PAC recommendations (July 2017) and Governance in Aviation Bodies Summary of Key Findings (July 2017).</b> | 24 August 2017                                 | 24 November 2017                  | 28 June 2018                           |
| <b>Report of the Office of the Auditor General on the Review of the Cayman Islands Health Services Authority Financial Statements for 2015 and 2016.</b>                        | 16 March 2018                                  | 16 June 2018                      | 28 June 2018                           |
| <b>Report of the Office of the Auditor General on the Social Assistance Programs: Follow-Up on Past PAC Recommendations (July 2017).</b>  | 16 March 2018                                  | 16 June 2018                      | 28 June 2018                           |

During the first half of 2018, the PAC also held hearings on the following OAG reports and tabled its own reports in the Legislative Assembly during September 2018:

- Major Capital Projects Follow Up (October 2017) – tabled 6 September 2018.
- Financial reporting of the Cayman Islands Government – General Report 30 June 2015 and 2016 (December 2017) – tabled 6 September 2018.

The Government will be expected to respond to these reports in December 2018. The PAC has also held hearings and prepared reports on the following subjects but the reports have yet to be tabled in the Legislative Assembly:

- Government’s Use of Consultants and Temporary Staff (February 2018).
- Report of the Information and Communications Technology Authority (ICTA) 2015/16 accounts.
- Report of the Segregated Insurance Fund (SIF) 2015/16 accounts and Cayman Islands Monetary Authority (CIMA) 2015/16 accounts.

We will report on progress with implementing the recommendations in these reports in a future report to PAC.

#### PROGRESS UPDATE ON FOUR REPORTS SINCE JULY 2017

This report also covers PAC reports that the OAG assessed as Amber (some progress made) and Red (limited or no progress made) in July 2017. The four reports included are:

- Financial and Performance reporting – Entire Public Sector; Ministries, Portfolios and Offices; and Financial and Performance reporting – Statutory Authorities and Government Companies for the year ending 30 June 2014 (September 2015) – assessed as **Amber** in 2017.
- Government Programmes Supporting Those in Need (May 2015) – assessed as **Red** in 2017.
- National Land Development and Government Real Property (June 2015) – assessed as **Amber** in 2017.
- Collecting Government Revenues (September 2015) – assessed as **Red** in 2017.

#### ABOUT THIS REPORT

The OAG has assessed the responses given in the Government Minute of June 2018 to determine whether, in our view, the recommendations have been implemented. In making these assessments we reviewed the PAC recommendations made in 2017 and 2018 and original OAG recommendations where relevant. We compared the responses in the Government Minute to the original management response given to the OAG reports; and used our current understanding and knowledge of developments, where appropriate. In some cases, we obtained a progress updates from senior civil servants between August and October 2018. We have included these updates in the OAG comments and our assessment of progress in implementing the recommendations.

This report provides:




- A high-level assessment of each report, including a Red-Amber-Green (RAG) rating of progress (below).
- An overall conclusion on CIG progress in implementing PAC recommendations (next section).
- Detailed assessments of CIG’s progress for each report (Appendices 1 to 8). Each appendix includes a summary of the PAC recommendations (including the original OAG recommendations

where relevant); CIG’s response and planned implementation date to the original OAG recommendations; CIG response as at June or August 2018; and an OAG comment on the updates.







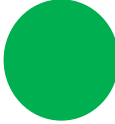
## HIGH-LEVEL ASSESSMENT OF ALL EIGHT REPORTS

Our high-level assessments of CIG’s progress with implementing the recommendations of the eight reports covered are outlined in Exhibit 2.

### Exhibit 2 – High-level assessment of CIG’s progress in implementing PAC recommendations

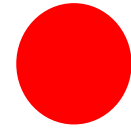
| Report   | OAG comment  | Previous OAG assessment (July 2017) | OAG assessment (Oct 2018)   |
|--|--|-------------------------------------|---|
| <b>Assessment of PAC reports tabled between January 2017 and March 2018</b>                          |  |                                     |   |
| <b>Ensuring Quality Health Care and a Healthy Population (January 2017)</b>                          | A number of recommendations are reported as being in progress or completed. However, for some there has been no progress as at June 2018 and target implementation dates are in the future. Some revised implementation dates are more than a year later than originally planned.                                      | N/A                                 | <br>Some progress          |
| <b>Follow-Up on Past PAC Recommendations (July 2017)</b>   | Most of the recommendations have been implemented or are being addressed, although the timescale for one is uncertain. One recommendation has not been accepted.   | N/A                                 | <br>Significant progress |
| <b>Review of the Cayman Islands Health Services Authority Financial Statements for 2015 and 2016</b> | PAC made only one specific recommendation in this report and HSA is making progress with this recommendation. Although HSA provided PAC with assurances that it was taking action to eliminate the qualification issues on its financial statements during 2018, it is too early to say whether this will be achieved. | N/A                                 | <br>Some progress        |



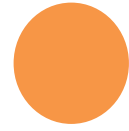
|   |   |   |   |                  |                      |
|---|---|---|---|------------------|----------------------|
| <b>Social Assistance Programs: Follow-Up on Past PAC Recommendations (July 2017)</b>  | <p>Most of the recommendations are being addressed although the timescale for one is unclear. The PAC re-endorsed the OAG’s original twelve recommendations in this report, which are assessed separately below as limited progress, and has affected the overall assessment for this report.</p>   | N/A   |    | Some progress    |                      |
| <b>Assessment of progress with PAC reports assessed as Amber and Red in July 2017</b>   |   |   |   |                  |                      |
| <b>Government Programmes Supporting Those in Need (May 2015)</b>  | <p>The Ministry of Community Affairs has started work to develop a social assistance strategy, although timescales are not yet confirmed. The implementation of most other recommendations is dependent on the strategy being in place. This means that overall limited progress has been made at this stage – no change since July 2017.</p> |    |    | Limited progress | Limited progress     |
| <b>Financial and Performance reporting – Entire Public Sector; Ministries, Portfolios and Offices; and Financial and Performance reporting – Statutory Authorities and Government Companies for the year ending 30 June 2014 (September 2015)</b> | <p>Although the overall assessment remains the same as in July 2017, the Ministry of Finance and Economic Development has made more progress in implementing the recommendations than previously. At the time of this report many of the implementation dates were in the future.</p>   |  |  | Some progress    | Some progress        |
| <b>National Land Development and Government Real Property (June 2015)</b>   | <p>Significant progress has been made over the last year in implementing the recommendations in the report. However, no further progress has been made with three recommendations. Two of these recommendations (13 and 14) are the responsibility of the Ministry of Finance.</p>  |  |  | Some progress    | Significant progress |

**Collecting Government Revenues (September 2015)**

The Ministry of Finance and Economic Development has made some progress in implementing the recommendations, which is an improvement since July 2017. The implementation dates for some recommendations have been further rescheduled to dates in the future.



Limited progress



Some progress

*Note: Red – limited or no progress has been made; Amber – some progress has been or is being made; Green – significant progress has been made in addressing the recommendations.*

# CONCLUSION

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1. The Cayman Islands Government (the Government) continues to make progress in implementing the Public Accounts Committee's (PAC) and my Office's recommendations. However, overall progress remains slow.
2. My report covers the Government's progress with implementing the recommendations in eight reports. Four of the reports were new PAC reports tabled in the Legislative Assembly between January 2017 and March 2018. I have also re-assessed progress in implementing the recommendation in four reports that I previously assessed as having made only limited or some progress in July 2017. Overall, I have assessed the eight reports as:
  - Significant progress has been made with two reports i.e. all or most of the recommendations have been implemented.
  - Some progress has been made with five reports i.e. some recommendations have been implemented; some are in progress; planned implementation dates are in the future; there has been no progress with some recommendations; or it is not clear what actioned (if any) is planned.
  - Limited progress has been made with one report.
3. For the four new PAC reports that I have assessed for the first time, I am pleased to note that the Government has implemented a number of recommendations and plans to take most of the others forward. I have therefore assessed the Government's progress with implementing the recommendations as 'significant' for one report and 'some progress' for three reports.
4. For the four PAC reports that I am assessing progress for the second time, progress has been made on implementing more of the recommendations than this time last year, but dates for implementing many of these recommendations have been rescheduled to the future. My overall assessment of these reports has improved for two reports and stayed the same for two reports.
5. The Government has taken a significant step by committing to provide the PAC with more timely presentation of Government Minutes and ensuring that it provides appropriate responses to recommendations. The Ministry of Finance has also been given responsibility for coordinating and preparing Government Minutes. These actions should further improve the accountability process but it is too early to comment on the effectiveness of this new approach. However, I am pleased to note that the quality of Government's responses has improved since the last Government Minute in October 2016.
6. The PAC may wish to hold hearings with senior civil servants to ask for further updates with the implementation of some recommendations, particularly for those reports that we have assessed as

limited or some progress (rated as Red and Amber respectively) or where target implementation dates are in the future.

A handwritten signature in black ink, appearing to read 'Sue Winspear', written in a cursive style.

Sue Winspear, CPFA  
Auditor General  
George Town, Grand Cayman  
Cayman Islands

18 October 2018

# APPENDIX 1 – ENSURING QUALITY HEALTH CARE AND A HEALTHY POPULATION (JANUARY 2017)

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The Public Accounts Committee (PAC) held six meetings to consider the report between 1<sup>st</sup> February 2017 and 21<sup>st</sup> March 2017. In its report (laid on the Table of the Legislative Assembly on 27<sup>th</sup> March 2017), the PAC concluded:

- The PAC fully supports the nine recommendations that were made by the Audit Office and finds it quite troubling that the Management Response was that recommendations were ‘noted’.
- The PAC recommends that the Ministry re-assess the report; and as well as carefully consider the nine recommendations and produce a plan to implement the suggested recommendations.
- The PAC is particularly troubled by the findings in the report that identified the following:
  - The perceived serious capacity shortages in the Ministry, the Department of Health Regulatory Services and the Health Services Authority (HSA).
  - Interviews of Officials looking to the Ministry for decisions, assistance or guidance showed that they have concerns about the Ministry’s responsive.
  - The lack of a performance management and reporting framework that allows for regular monitoring of outcomes from policy decisions.
  - The lack of medical systems administrative knowledge at the ministry level was clearly demonstrated during the hearings.
- Therefore, the PAC strongly recommends, given the magnitude of the expenditures and the impact of these findings on the health of the country, that the Government address these concerns with some urgency:
  - The Ministry of Health, with the advice of the HSA Medical Director, and in consultation with the Medical and Dental Council, should issue a policy on how to develop Caymanian Doctors, to Board certification level and provide a grant to the HSA to fund these staff developments through proper training;
  - The Ministry of Health in consultation with the Health Insurance Commission should review relevant legislation to enable private sector coverage into retirement;
  - The Medical Officer of Health should collect relevant health data from the private sector as well as the HSA in future and should publically report on both sets of data on a regular basis to help inform policy and decision making.

**OAG comment on Government response:** CIG has made some progress in implementing the recommendations made by the PAC and the OAG. We have therefore assessed the overall progress with implementing the recommendations as **Amber** (some progress). The timescale for implementing some recommendations has been delayed by more than a year from the original implementation dates. We also note that the target timescales for reviewing the *National Health Policy and Strategic Plan for the Cayman Islands* (NHPP) is by the end of December 2018 although the NHPP covered the period 2012-2017.

| Recommendation   | Original management response to OAG recommendation (January 2017)  | Government response (June 2018)   | OAG comment (October 2018)  |
|--|--|---|---|
| <p>1. The Government should update the National Health Policy and Strategic Plan for the Cayman Islands, including developing the operational plan necessary for its implementation and the monitoring and evaluation plan required to track progress and results. (OAG)</p> | <p>As noted in the OAG report, the Ministry is sometimes faced with having to deliver on changing policy priorities for the Government of the day. However, the Ministry will endeavour to complete this in the second half of 2017.</p> <p><b>Planned Implementation date:</b><br/>Review – September 2017;<br/>Operational Plan – March 2018</p> | <p>The Government accepts the recommendation, and it will endeavour to complete the review of the National Health Policy and Strategic Plan in the second half of the year 2018. The operational plans for the NHPP will be developed shortly after.</p> <p><b>Planned implementation date:</b><br/>Review: July - December 2018;<br/>Operational Plan: TBC</p> | <p><b>Recommendation to be implemented but not started as at June 2018.</b></p> <p>The Ministry now plans to review the National Health Policy and Strategic Plan for the Cayman Islands (NHPP) by the end of December 2018. This is one year later than the original implementation date.</p> <p>The NHPP was for the period 2012-2017. It is not clear if the plan has been rolled forward to cover the period until a new NHPP is published.</p> <p>The PAC may wish to follow up on this.</p> |

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| 2. | The Government should proceed with a law review for the systematic updating of the health system legislative framework. (OAG)   | Recommendation is noted.<br><br><b>Planned Implementation date:</b><br>June 2017       | The Government accepts the recommendation. The review and update of the Health Practice Law, Pharmacy Law and the Public Health law are currently included in the workplan for the Ministry for the financial years 2018-2019.  | <b>Recommendation being implemented but not clear if started.</b><br><br>The recommendation has been accepted and will be implemented during 2018 and 2019. The planned implementation date is now 12-30 months later than originally planned. |
| 3. | The Government should strengthen its relationships with private health care providers and the two-way communication required for it to develop an effective health care system. (OAG) | Recommendation is noted.<br><br><b>Planned Implementation date:</b><br>On-going        | The Government agrees with this recommendation. This is an ongoing effort between the Ministry and private stakeholders from the relevant Councils through various meetings. The Ministry continues to engage the members of the Cayman Islands Medical and Dental Society and other health professional bodies to review policies and strategies to pursue national goals. | <b>Recommendation implemented.</b><br><br>The OAG has not assessed the level of engagement between the Ministry and its private stakeholders.  |
| 4. | The Government should assess whether it has the capacity required to execute the roles and responsibilities it has assumed for the Cayman Islands health system, and                  | Recommendation is noted.<br><br><b>Planned Implementation date:</b><br>SPS for 2018 FY | The Government agrees with this recommendation. Included in the Strategic Policy Statement for the financial year 2018 are an additional Policy   | <b>Recommendation being implemented.</b>   |

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|    | take appropriate corrective action. (OAG)   |  | Officer position, two Administrative Secretary positions for the Department of Health Regularity Services, and one Health Insurance Inspector position (also for DHRS). Since the publication of this report, the Public Health Department has employed one additional Surveillance Officer to assist with collection of data on non-communicable diseases.   |  |
| 5. | The Government should review policies and practices for the registration of practitioners and the inspection of health care facilities. It should take steps to ensure that all qualified practitioners are appropriately registered and regulated and that all facilities at which health care services are provided by qualified practitioners are appropriately inspected and certified. (OAG) | Recommendation is noted. While there is a legislative/regulatory framework in place, it is often difficult to monitor and enforce due to limited resources.<br><br><b>Planned Implementation date:</b> Review completed by end of July 2017. | The Government agrees with this recommendation. While there is a legislative framework to register and license practitioners and health care facilities, as well as to regulate compliance, the legislation requires a provision to impose fines for those persons who provide health services but are not registered with any of the Councils. This will be reviewed as part of the review of the Health Practice Law and Regulations. | <b>Recommendation being implemented but not clear if started.</b><br><br>The Ministry agrees with the recommendation and states that it will be viewed as part of the Health Practice Law and Regulations. See response and OAG comment at recommendation 1 above. |
| 6. | The Ministry of Health should receive regular reports on the nature and extent of compliance with the Health Practice Law and Health Insurance  | Recommendation is noted. The Ministry does receive monthly HoD reports and updates at the monthly Health Insurance   | The Government notes this recommendation. This Ministry receives monthly reports from the Director of the Department  | <b>Recommendation implemented.</b>   |



|    |   |  |  |   |
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|    | Law and Regulations to ensure that it has the information it needs to take appropriate corrective action as necessary. (OAG)  | Commission meetings, however will review and discuss possible consolidation of this information for future reports.<br><br><b>Planned Implementation date:</b><br>January 2017   | of Health Regulatory Services and the Chief Officer attends monthly board meetings of the Health Insurance Commission.   |   |
| 7. | The Government should put in place a performance management and reporting framework for the Cayman Islands health system to inform decision making and provide accountability to the Legislative Assembly and the public. (OAG) | This recommendation is noted and will be incorporated into the discussions for the review of the NHPP to ensure that metrics being tracked and reported are linked to the agreed strategic directions in the revised NHPP 2017.<br><br><b>Planned Implementation date:</b><br>To be incorporated into the review of the NHPP in the second half of 2017. | The Government agrees with this recommendation. Once the review of the National Health Policy and Strategic Plan has been completed, a Monitoring and Evaluation plan will be developed, which will incorporate the performance management and reporting framework for the Cayman Islands health system. | <b>Recommendation to be implemented but not yet started.</b><br><br>The Ministry agrees with the recommendation and commits to implementing this after the NHPP has been reviewed (by the end of 2018). However, it does not provide a timescale for developing the performance management and reporting framework.<br><br>The PAC may wish to request that a timescale is provided for completing this recommendation. |
| 8. | The Government should evaluate the design and performance of the CayHealth programme and, as appropriate, extend it to cover a wider population. (OAG)  | Recommendation is noted and agreed.<br><br><b>Planned Implementation date:</b><br>Evaluation by end of March 2017.   | The Government agrees with this recommendation. In 2010, the CayHealth programme was established and designed as a pilot programme for medical indigents to ensure continuity  | <b>Recommendation being implemented.</b>  |

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|    |  |   | <p>of care by assigning a preferred primary care physician to each indigent.</p> <p>The Health Services Authority in collaboration with the Ministry has agreed to expand the CayHealth programme to members of the Cayman Islands Civil Service Association (CICSA) and the H.S.A. staff. The discussions between the H.S.A. and CICSA are currently ongoing.</p> |   |
| 9. | <p>The Government should ensure that health statistics used for purposes of planning, management and accountability distinguish between Caymanian and non-Caymanian populations. (OAG)</p> | <p>This recommendation is noted. It should be borne in mind that individuals who are currently “non-Caymanian” may become Caymanian, permanent residents, or spouses of Caymanians. Also need to remember that the expectation is that the health care system needs to address the needs of all residents, regardless of immigration status.</p> <p><b>Planned Implementation date:</b><br/>None specified.</p> | <p>The Government notes the recommendation, and would add that expectation is that the health care system would address the needs of all residents, Caymanian or non-Caymanian; the immigration status of the individual does not matter.</p>  | <p><b>No progress.</b></p> <p>We understand from discussion with the Ministry that they are still considering whether and how it might implement this recommendation.</p> |

|     |   |     |   |   |
|-----|---|-----|---|---|
| 10. | <p>The PAC recommends that the Ministry re-assess the report: and as well as carefully consider the nine recommendations and produce a plan to implement the suggested recommendations. (PAC)</p>   | N/A | <p>Comprehensive responses to the nine recommendations have now been provided above.</p>  | <p><b>Recommendation implemented.</b></p> <p>OAG comments included at recommendation 1 to 9 above.</p>  |
| 11. | <p>The PAC strongly recommends, given the magnitude of the expenditures and the impact of these findings on the Health of the Country, that the Government address these concerns with some urgency (PAC):</p> <p>The Ministry of Health, with the advice of the HSA Medical Director, and in consultation with the Medical and Dental Council, should issue a policy on how to develop Caymanian Doctors, to Board certification level and provide a grant to the HSA to fund these staff developments through proper training.</p> <p>The Ministry of Health in consultation with the Health Insurance Commission should review relevant legislation to enable private sector coverage into retirement.</p> |     | <p>The Ministry of Education confirms that for the financial years 2018-2019, the amount of \$500,000 (per annum) has been allocated to TP 83 – Scholarships Medical [to] fund scholarships to assist Caymanian doctors to pursue post-graduate studies to board level certification.</p> <p>The Ministry of Health in consultation with the Health Insurance Commission has engaged a Canadian company, Mornaue Sheppel to conduct a feasibility study and determine</p> | <p><b>Recommendation partly implemented.</b></p> <p>Funds have been made available but it is not clear if a policy has been developed on how to develop Caymanian doctors.</p> <p><b>Recommendation being implemented.</b></p> <p>The timescale for completion is late 2018. The PAC may wish to ask for an update on</p> |

|  |   |  |   |  |
|--|---|--|---|--|
|  | <p>The Medical Officer of Health should collect relevant health data from the private sector as well as the HSA in future and should publically report on both sets of data on a regular basis to help inform policy and decision making.</p> |  | <p>the premium for a standard Health Insurance Contract for persons age 65 and over. This study commenced in March 2018 and is <b>expected to be completed in late 2018.</b></p> <p>A robust national Health Information Management System will help to detect health problems, define priorities, plan, and identify where to allocate resources to improve outcomes. Once this is developed, other relevant data from public and private sectors will be collected to help inform policy and decision making.</p> | <p>progress at the end of 2018.</p> <p><b>Recommendation to be implemented but not yet started.</b></p> <p>See response to recommendation 7 above.</p> |
|--|---|--|---|--|

## **APPENDIX 2 – FOLLOW-UP ON PAST PAC RECOMMENDATIONS; AND GOVERNANCE IN AVIATION BODIES SUMMARY OF KEY FINDINGS (JULY 2017)**

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The Public Accounts Committee (PAC) held three meetings to consider the report between 21 June 2017 and 16 August 2017. In its report, laid on the Table of the Legislative Assembly on 24<sup>th</sup> August 2017, the PAC concluded:

- The PAC endorses the recommendations and findings by the Auditor General in the report on Governance in Aviation Bodies Summary of Key Findings, and therefore there was no need to have public Hearings.
- The PAC would like to congratulate the following Ministries on the high-level assessment of Government's progress with the most recommendations implemented or progress awarded with green status: The Deputy Governor's Office (Management of Travel and Hospitality Expenditures (May 2014) and Management of the Nation Building Programme (July 2015)); Ministry of Home Affairs (Government IT Security (September 2015)); and Ministry of Education, Employment and Gender Affairs (Major Capital Projects – Building Schools (May 2015)).
- The PAC believes that Government Minutes responding to PAC recommendations need to be taken more seriously. It is an integral part of the process and is expected to be tabled in the Legislative Assembly along with the PAC report and OAG report to inform a debate in the Chamber. The PAC expects that future Government Minutes be factual, informative, thorough and real-time updates on progress not simply a repeat of the management response provided to the original OAG report. It should also identify if additional resources are needed to implement the recommendations and when these will be available.
- Government should develop a clear policy on revenue waivers and concessions that states the level of concessions available to potential investors and developers if they choose to invest in the Cayman Islands. No investors should be able to negotiate their own concessions package outside this published policy. This should be made publicly available to aid transparency and ensure that the Government is maximizing potential revenue.
- The Ministry of Finance should be reviewing and providing advice on all significant public sector business cases and contracts prior to them being signed to ensure that they are affordable and do not expose the Government to unacceptable risks.

- The PAC welcomes the commitment that a survey will be carried out to inform an update of the National Development Plan. However, it would like a commitment on when the National Development Plan will be updated and requests that Government considers extending it to cover the whole of the Cayman Islands.
- The PAC is pleased to hear that the Central Planning Authority and Development Control Board now have registers of interests and recommends that these are now made public.
- The PAC will feature the Needs Assessment Unit segment in a separate report in the near future.
- The PAC recommends that the Government reconsider the policy to dispose of surplus Crown Land. The List of Crown Properties being considered for disposal is attached to this report.

**OAG comment:** The Government has implemented or is currently implementing all bar one of the recommendations. It does not accept one recommendation (Recommendation 4) and has no plans to implement it. The implementation date for recommendation 2 is uncertain at this stage. We obtained an update from the Office of the Deputy Governor on the progress with the OAG recommendations made in Governance in Aviation Bodies (July 2017) in September 2018. These are included at recommendations 8 to 13 of this Appendix. We have assessed overall progress with implementing the recommendations as **Green** (significant progress has been or is being made).

| PAC recommendation   | Government response to PAC recommendation (June 2018) | OAG comment (October 2018)   |
|--|---|--|
| 1. The PAC endorses the recommendations and findings by the Auditor General in the report on Governance in Aviation Bodies Summary of Key Findings, and therefore was no need to have public Hearings. |   | The Government Minute did not provide an update on the recommendations made to the Cayman Islands Government in this report.<br><br>The OAG followed up on this and discussed the recommendations with the Office of the Deputy Governor in September 2018. A progress update is provided at recommendations 8 to 13 of this Appendix. |

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| 2. | <p>The PAC believes that Government Minutes responding to PAC recommendations need to be taken more seriously. It is an integral part of the process and is expected to be tabled in the Legislative Assembly along with the PAC report and OAG report to inform a debate in the Chamber. The PAC expects that future Government Minutes be factual, informative, thorough and real-time updates on progress not simply a repeat of the management response provided to the original OAG report. It should also identify if additional resources are needed to implement the recommendations and when these will be available.</p> | <p>The Government agrees that there should be more timely presentation of Government Minutes and it is committed to ensuring that respective Government Agencies provide appropriate responses to PAC recommendations. The Ministry of Finance has agreed to coordinate the compilation of the Government Minute and to have it presented to Cabinet for approval prior to it being Tabled in the Legislative Assembly.</p>  | <p><b>Recommendation implemented.</b></p> <p>CIG has formally responded to the PAC reports tabled in March 2018 within the specified three months. Although previous reports from 2017 were not responded to within the specified timescale.</p>   |
| 3. | <p>Government should develop a clear policy on revenue waivers and concessions that states the level of concessions available to potential investors and developers if they choose to invest in the Cayman Islands. No investors should be able to negotiate their own concessions package outside this published policy. This should be made publicly available to aid transparency and ensure that the Government is maximizing potential</p>  | <p>The Ministry of Finance and Economic Development is currently working to finalise a comprehensive policy governing how the Cabinet will consider and award revenue waivers and concessions to potential developers/investors. The policy seeks to ensure transparency, fairness and accountability in the award of such waivers and concessions.</p> <p>In developing the policy a major challenges that has been identified is the difficulties Government Agencies have in accurately</p> | <p><b>Recommendation being implemented, although there is no clear date for implementation.</b></p> <p>Note this recommendation was first made by OAG in <i>Collecting Government Revenues</i> (September 2015). It had an original implementation date of 31 December 2016, which moved to October 2017. The Ministry now plans to submit the draft revenue concessions policy to Caucus on 31 August 2018.</p> <p>The PAC may wish to ask for an update on</p> |

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|    | revenue.  | <p>tracking and reporting the value of the waivers/concessions awarded. To address this deficiency the Ministry of Finance has been working with the affected Agencies to agree systems and business process improvements necessary to achieve improved reporting. This is critical as it impacts the structure of the proposed policy as well as the possible outcomes to be achieved from implementing the policy. For example, the Customs department is currently implementing enhancements to their systems which are expected to be in place by 1 January 2019.</p> <p>The Ministry of Finance is actively working with the Ministry of Commerce, Planning and Infrastructure to ensure that the policy includes sufficient flexibility to allow the Cabinet to consider requests from different types of developers/investors.</p> <p><b>The revised timescale for the draft policy to be submitted to the caucus for its consideration is 31 August 2018.</b></p> | <p>progress after the draft revenue concessions policy has been to Caucus in August 2018, including a date for its implementation, and to explore the reasons for delays in implementing this recommendation.</p> <p>See also Appendix 8 which provides an update on progress with all of the recommendations made in the OAG report <i>Collecting Government Revenues</i> (September 2015).</p> |
| 4. | <p>The Ministry of Finance should be reviewing and providing advice on all significant public sector business cases and contracts prior to them being signed to ensure that they are affordable and do not expose the Government to unacceptable risks.</p> | <p>The Government appreciates the recommendation of the PAC with respect to this subject area. Currently, Section 15 of Schedule 6 of the Public Management and Finance Law (2018 Revision) requires the Government to retain independent accounting, legal, financial, economic, environmental and other technical advice for all projects with a lifetime value of CI\$10 million and above. The</p>  | <p><b>Recommendation not accepted or being taken forward.</b></p> <p>The CIG response refers to the requirements in the PMFL for independent advice for projects with a lifetime value of \$10 million and above. However, this requirement is to ensure that robust investment appraisals are produced to inform business cases for major capital</p>   |



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|    |  | <p>Government is therefore mindful of the need to avoid bureaucratic requirements that might not add significant value or improvement to the procurement process.</p> <p>Accordingly, the Government does not support the PAC’s recommendation although it appreciates its good intention.</p>  | <p>projects (or where PPP or other alternative financing is being considered). Business cases still need to be approved before a project can commence.</p> <p>The Financial Regulations (2018 Revision) require that Chief Officers ensure that all capital projects above \$300,000 are submitted to the Public Sector Investment Committee (PSIC) for review; and that the PSIC submits recommendations on the viability of capital projects to the Cabinet, through the Minister of Finance. Our understanding is that PSIC has still not been established, which means internal financial advice on the affordability of business cases or contracts for major projects is not being fully considered before business cases are submitted to Cabinet for approval.</p> |
| 5. | <p>The PAC welcomes the commitment that a survey will be carried out to inform an update of the National Development Plan. However, it would like a commitment on when the National Development Plan will be updated and requests that Government considers extending it to cover the whole of the Cayman Islands.</p> | <p>The review of the National Development Plan has commenced and public consultation on the work completed so far is slated to begin in the third (3rd) quarter of 2018. It is anticipated that implementation will commence in November 2018 with work commencing on the first individual area plan. As the National Development Plan calls for rolling updates to 12 planning areas taking approximately 3 to 4 months each to develop, <b>the anticipated completion date for implementation is approximately 4 years.</b></p> <p>Preliminary work is being done with the aim of</p> | <p><b>Recommendation being implemented.</b></p> <p>The OAG recommended in its report <i>National Land Development and Government Real Property</i> (June 2015) that the Development Plan for the Cayman Islands should be comprehensively updated.</p> <p>The Ministry states that consultation on the National Development Plan will start in July to September 2018 (Q3) and the review in November 2018. The timescale for the complete review and update if the plan is four years i.e. complete by 2022.</p>  |

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|    |   | introducing a Development Plan for the Sister Islands.   | The Ministry has also committed to introducing a development plan for the Sister Islands.   |
| 6. | The PAC is pleased to hear that the Central Planning Authority and Development Control Board now have registers of interests and recommends that these are now made public.           | The Registers of Interests for the Central Planning Authority and Development Control Board have been published.   | <p><b>Recommendation implemented.</b></p> <p>The OAG recommended in its report <i>National Land Development and Government Real Property</i> (June 2015) that Registers of Interest for the members of the CPA and DCB as required by the <i>Standards in Public Life Law</i> be implemented immediately. The recommendation has been implemented despite the <i>Standards in Public Life Law</i> not being brought in to force.</p>  |
| 7. | The PAC recommends that the Government reconsider the policy to dispose of surplus Crown Land. The List of Crown Properties being considered for disposal is attached to this report. | A Cabinet Paper recommending cancellation of the project to dispose of surplus Crown lands was prepared at the Hon Minister for Lands request, and was considered by the Cabinet in December 2017. However, the Paper was deferred. <b>The Hon Minister for Lands has now asked that it be updated and resubmitted, and it is intended that this will take place during June 2018.</b> | <p><b>Recommendation being implemented but not completed at time of response.</b></p> <p>The OAG recommended in its report <i>National Land Development and Government Real Property</i> (June 2015) that the Lands and Survey Department should dispose of properties deemed surplus. Since July 2017, the Lands and Survey Department has been part of the Ministry of Education, Youth, Sports, Agriculture and Lands (MEYSAL).</p> <p>The PAC may wish to ask for an update on progress, as the paper was due to be considered by the Cabinet in June 2018.</p> |

| <b>Governance in Aviation Bodies (July 2017)</b> |   |   |   |
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|  | <p>The Cayman Islands Government should, in addition to enforcing the <i>Public Authorities Law 2017</i>:</p>   | <p>Notes from Acting Deputy Governor:</p> <ul style="list-style-type: none"> <li>• As the original Audit Report will indicate, no management response was previously requested nor provided on the items which appear on pages 4 &amp; 5, and which are set out below.</li> <li>• We can now confirm that we are generally in agreement with the recommendations and welcome this opportunity to apprise the public of work undertaken as at 13 September 2018, which aligns to the recommendations detailed below.</li> </ul>  |   |
| 8.   | <p>Develop plans to widen the pool of potential board members for now and the future, taking in to account: needs, including any specialist expertise that may be needed; a diverse range of views and backgrounds; and the population of Cayman Islands.</p> | <p>CIG recognises the potential benefits of coordinating the identification of a pool of non-specialist board members to meet future needs.</p> <p>CIG recognises that different approaches may be required to broaden the pool of board members with specialist expertise relevant to the core business of the individual public authorities.</p> <p>There have been some initiatives to widen the pool from which board members are selected including by advertising board appointment opportunities (eg. Expungement Board), and looking at diversity issues in board</p> | <p><b>Recommendation being implemented.</b></p> |

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|    |   | <p>appointments including gender and age distribution.</p> <p>At this time CIG is considering where, centrally, this responsibility might best be placed and how it might be resourced, and what roles Chief Officers in each Ministry should play. This item will be taken to the Senior Leadership Team for discussion.</p>   |   |
| 9. | <p>In making appointments to boards, consult with SAGCs to establish whether any specific skills or expertise are required in the period ahead.</p> | <p>It is noted that the enabling legislation for most SAGCS, already specifies requisite skills or expertise of board members when setting out the composition of the Board.</p> <p>To ensure that these needs are being met, consultation with SAGCs is helpful and ought to be undertaken.</p> <p>Such consultations can enhance due process, whilst respecting the fact that appointments are ultimately made by Cabinet acting upon the recommendation of the responsible Minister.</p> <p>Chief Officers will be instructed to apply these protocols when advising their Ministers on board appointments.</p> <p>This consultative approach has proven especially useful during the 2018 board appointments made by the Office of the Deputy Governor to the Civil Aviation Authority and the Public Service Pensions Board.</p> | <p><b>Recommendation implemented.</b></p> |

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| 10. | <p>Support SAGCs by providing induction training to new board members to ensure that consistent messages are provided on the roles and responsibilities of board members.</p> | <p>The Public Authorities Law sets out the roles and responsibilities for members of SAGC Boards. To support the induction process for new board members, the Office of the Deputy Governor (ODG) is coordinating presentations on the Public Authorities Law to Boards of Public Authorities, as requested by Chief Officers. Presentation have been made as follows:</p> <ul style="list-style-type: none"> <li>• H.S.A - 6<sup>th</sup> September 2017</li> <li>• Port Authority- 8<sup>th</sup> December 2017</li> <li>• Turtle Centre – 24<sup>th</sup> January 2018</li> <li>• CIAA -7<sup>th</sup> March 2018</li> <li>• CAA- 9<sup>th</sup> April 2018</li> <li>• NRA – 2nd May 2018</li> <li>• PSPB – scheduled for Nov/Dec 2018</li> </ul> <p>Going forward, ODG and PoCS will collaborate to identify alternative/additional approaches, such as sessions with multiple boards and providing online access to presentations on the PAL.</p> <p>In addition, the ODG led the development of a range of bills that were successfully passed in the LA in June 2018, that support greater compliance with the PAL, including:</p> <p><i>a. The Public Authorities (Amendment) Bill, 2018, to address provisions for liability in negligence for public authorities with regulatory functions and duties, and</i></p> | <p><b>Recommendation implemented.</b></p> |
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|     |  | <p>b. The Following Amendment Bills, which primarily served to address issues of conflict with PAL:</p> <ul style="list-style-type: none"> <li>• <i>The Utility Regulatory and Competition (Amendment) Bill, 2018</i></li> <li>• <i>The Water Authority (Amendment) Bill, 2018</i></li> <li>• <i>The Water Sector (Amendment) Bill, 2018</i></li> <li>• <i>The Information and Communications Technology (Amendment) Bill, 2018</i></li> <li>• <i>The Electricity Sector Regulation (Amendment) Bill, 2018.</i></li> </ul> |                                    |
| 11. | Provide ongoing training on national and international developments and good practice that all board members should be aware of.       | The Commissions Secretariat is hosting a Good Governance Conference on 8 October 2018. Invitees include Chairpersons, civil society members of all Commissions, and CIG and SAGC Boards. The Conference aims to enhance the work of these members by providing them with the opportunity to gain a better understanding of their responsibilities and obligations to lawful decision making, democracy, and transparency.  | <b>Recommendation implemented.</b> |
| 12. | Provide networking opportunities for board members from across public authorities to share their experience and learn from each other. | The upcoming Good Governance Conference will contribute to this recommendation.  | <b>Recommendation implemented.</b> |

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| 13. | Ensure that Ministries and Portfolios lay all annual accounts and reports in the Legislative Assembly, including those of SAGCs, within the statutory timescales. | It is recognised that responsibility for implementation of this recommendation lies with each individual Chief Officer and they will continue to be encouraged to meet these targets. | <b>Recommendation being implemented.</b> |
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## APPENDIX 3 – REVIEW OF THE CAYMAN ISLANDS HEALTH SERVICES AUTHORITY FINANCIAL STATEMENTS FOR 2015 AND 2016

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The Public Accounts Committee (PAC) held two meetings to consider the report on 10<sup>th</sup> and 24<sup>th</sup> October 2017. In its report, laid on the Table of the Legislative Assembly on 16<sup>th</sup> March 2018, the PAC concluded:

- Under sections 7(1) and 18(3,c) of the HSA Law, the Health Authority is required to maintain a cash reserve at a level no less than estimated expenses for 90 days. The OAG roughly estimates that the authority is over \$21.5 million short at 30<sup>th</sup> June 2016 in meeting this requirement.
- The PAC remains concerned with the outlook for the financial position and future audit opinions for the HSA in spite of the employment of outside consultants to support them. The PAC was not impressed by the continued assertions by the board chairman that the HSA will achieve an unqualified audit opinion for the financial year 2018.
- The PAC strongly recommends that the board of the HSA urgently address the staffing issues unearthed during the hearings on the HSA financial statements.
- The PAC is gravely concerned with the quality and accuracy of responses to questions by the Chief Officer Ms. Jennifer Ahearn, Chief Executive Officer Ms. Lizette Yearwood, Chief Finance Officer Mrs. Heather Boothe and HR Director Ms. Brenda Riley.
- In Ms. Ahearn's evidence to the PAC on Tuesday, 10<sup>th</sup> October 2017 as recorded verbatim of this meeting on page 13, she misinformed the PAC. [..... ]These responses are contradicted by evidence obtained by the PAC namely the Cayman Islands Gazette issue No. 20/2017 dated Monday, 25<sup>th</sup> September 2017 page 1453, under the title Government Appointments. [...] The PAC is of the view that this misinformation was knowingly done that the Gazette notice was only 15 days old at the time this evidence was given. The PAC is also aware that the Chief Officer would be involved in producing the paper to the Cabinet to request approval of these board appointments. The PAC asserts that changing all members of a board qualifies as wholesale changes. The PAC also has some evidence that these changes were made for specific purposes some of which may not be in the best interest of the healthcare of the Cayman Islands. The PAC has not charged the Chief Officer with contempt of the Legislative Assembly but, instead will refer the matter in writing to the Deputy Governor for him to take disciplinary action as he sees fit. The letter will refer to the relevant legislation that governs such behaviour. However given Ms. Ahearn's history with the PAC, the PAC reserves the right to pursue the charge of contempt.
- The PAC is concerned with the practice of appointing persons who do not meet the advertised qualifications to positions in the HSA.



**OAG comment:** PAC made only one specific recommendation to HSA in this report and HSA is making progress with this recommendation. We have therefore assessed the overall progress with implementing the recommendations as **Amber** (some progress). Although HSA provided PAC with assurances that it was taking action to eliminate the qualification issues on its financial statements during 2018. In our view, it is too early to say whether this will be achieved.

| PAC recommendation   | Government response to PAC recommendation (June 2018)   | OAG comment (October 2018)   |
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| <p>1. Under sections 7(1) and 18(3,c) of the HSA Law, the Health Authority is required to maintain a cash reserve at a level no less than estimated expenses for 90 days. The OAG roughly estimates that the authority is over \$21.5 million short at 30th June 2016 in meeting this requirement.</p>   | <p>The HSA has achieved full compliance with the requirement for 90 days of cash reserve, as specified in the <i>HSA Law</i>. As at 31 March 2018, the Authority had 131 days of cash reserve on hand.</p> <p>The HSA was also compliant with the 90-day cash reserve ratio for the 2016-17 financial year.</p>   | <p>No specific PAC recommendation.</p>   |
| <p>2. The PAC remains concerned with the outlook for the financial position and future audit opinions for the HSA in spite of the employment of outside consultants to support them. The PAC was not impressed by the continued assertions by the board chairman that the HSA will achieve an unqualified audit opinion for the financial year 2018.</p> | <p>The HSA's financial records fully reflect its current and future financial obligations in accordance with International Financial Reporting Standards (IFRS). This was acknowledged by the Auditor General at the end of the 2016-17 financial audit through the removal of the audit qualification opinion related to post-retirement benefit obligations.</p> <p>The 2016-17 audit opinion shows three remaining qualification points, all of which relate to the single issue of revenue completeness. The HSA has adopted IFRS15 as its revenue recognition standard for 2018. Plans for adoption were</p> | <p>No specific PAC recommendation.</p> <p>The OAG confirms that the number of qualification points on the HSA financial statements has reduced with the only remaining points being in relation to revenue completeness. OAG met with HSA to discuss the implementation plan for IFRS 15 and provided some critique and recommendations to further improve this. It is too early to say whether the plan will be effective in addressing the issue and eliminating the qualification</p> |

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|    |   | <p>shared with the Auditor General’s Office, and the organization is now working to ensure consistent adherence throughout the fiscal year.</p> <p>The expectation is that the audit opinion and financial opinion of the HSA will be vastly improved following the 2018 audit.</p>  | <p>points in 2018.</p>   |
| 3. | <p>The PAC strongly recommends that the board of the HSA urgently address the staffing issues unearthed during the hearings on the HSA financial statements.</p>  | <p>The Authority continues to evaluate its staffing cadre to ensure the continuity and reliability of clinical and other services, as well as, operational efficiency. The safety of patients, staff and visitors are at optimal levels.</p> <p>As at the end of the first quarter of 2018, there were 848 full-time staff compared to 845 employees in 2017.</p> <p>However, the Authority is challenged with recruitment for some clinical specialties due to a number of factors, including the level of compensation offered by the HSA and cost of living in the Cayman Islands, compared to other jurisdictions and the global shortage of specialists in the particular fields.</p> | <p><b>Recommendation in progress.</b></p> <p>Our understanding is that in addition to staff vacancies across a range of clinical specialties HSA also has vacancies for nursing and other staff.</p> |
| 4. | <p>The PAC is gravely concerned with the quality and accuracy of responses to questions by the Chief Officer Ms. Jennifer Ahearn, Chief Executive Officer Ms. Lizette Yearwood, Chief Finance Officer Mrs. Heather Boothe and HR Director Ms. Brenda Riley.</p> | <p>All officers of the Heath Services Authority provided the most up-to-date information to the PAC during their respective presentations. The Authority would request that specific cases be presented to indicate where the members of the PAC perceived that the information provided was inaccurate or lacking in detail.</p>  | <p>No specific PAC recommendation. The Deputy Governor considered the matter as requested by the PAC and formally responded.</p>   |

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| <p>In Ms. Ahearn’s evidence to the PAC on Tuesday, 10th October 2017 as recorded verbatim of this meeting on page 13, she misinformed the PAC.</p> <p>The PAC is of the view that this misinformation was knowingly done that the Gazette notice was only 15 days old at the time this evidence was given. The PAC is also aware that the Chief Officer would be involved in producing the paper to the Cabinet to request approval of these board appointments. The PAC asserts that changing all members of a board qualifies as wholesale changes.</p> <p>The PAC also has evidence that these changes were made for specific purposes some of which may not be in the best interest of the healthcare of the Cayman Islands.</p> <p>The PAC has not charged the Chief Officer with contempt of the Legislative Assembly but, instead will refer the matter in writing to the Deputy Governor for him to take disciplinary action as he sees fit. The letter will refer to the relevant legislation that governs such behaviour. However given Ms. Ahearn’s history with the PAC, the PAC reserves the right to pursue the charge of contempt.</p> | <p>With regards to the PAC having evidence that Cabinet’s changes to the membership of the Medical and Dental Council were ‘made for specific purposes, some of which may not be in the best interest of the healthcare of the Cayman Islands’ the Ministry is not aware of the nature of the concerns in this regard or the evidence being referred to in the PAC report.</p> <p>The Chief Officer’s response to the PAC question regarding the changes to the membership of the Medical and Dental Council made it clear that she was providing her current recollection but could well be mistaken as she was speaking from memory and not from the documents that were being examined at the hearing (i.e. the financial statements of the Cayman Islands Health Services Authority 30 June 2016). There was no intention to misinform the PAC.</p> <p>The Honorable Deputy Governor conducted an investigation on the PAC findings and, based on the evidence, found that there was no attempt by the Chief Officer to mislead the PAC in any way and therefore there is no basis for disciplinary action against the Chief Officer. The Honorable Deputy Governor concluded that he was duty bound to dismiss the complaint.</p> |  |
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| 5. | <p>The PAC is concerned with the practice of appointing persons who do not meet the advertised qualifications to positions in the HSA.</p> | <p>The Authority presented documentation to the PAC verifying the qualification and experience for the relevant individuals who appeared before the PAC. The Authority selects individuals or positions based on predetermined criteria of which qualifications is one important factor.</p> <p>To further strengthen and ensure the integrity of the recruitment process at the senior leadership level, a member of the Board is now involved in the shortlisting and candidate interview process. An independent external party with relevant professional expertise is also brought in by the HSA, where necessary, to assist with the recruitment process at senior leadership level and other key positions within the organization.</p> <p>All positions within the Authority are subject to rigorous review, background checks, professional reference checks, and other professional and personal background checks to ensure compliance with all organizational job requirements.</p> | <p>No specific PAC recommendation.</p> |
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## APPENDIX 4 – SOCIAL ASSISTANCE PROGRAMES: FOLLOW-UP ON PAST PAC RECOMMENDATIONS (JULY 2017)

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The Public Accounts Committee (PAC) held one meeting to consider the report on 6<sup>th</sup> September 2017. In its report, laid on the Table of the Legislative Assembly on 16<sup>th</sup> March 2018, the PAC concluded:

- The audit and report of the Auditor General was a follow up carried out in the Cayman Islands. The objective of the report was to assess the responses given in the Government Minute of October 2016 to determine whether in the OAG's view, past (OAG and PAC) recommendations had been implemented.
- The PAC re-endorses the twelve recommendations previously made by the Auditor General and the additional two recommendations made by the PAC in 2015 as summarized in Appendix 2 of the report. The Committee urges the Government to implement the recommendations as a matter of priority.
- The Committee was concerned that KPMG was commissioned to prepare an Outline Business Case that appeared to only consider two options for welfare payments to those in need (1) keeping the current system in place, or (2) moving to an integrated operation where social service recipients can go to a one-stop-shop for all public assistance programs.
- The Auditor General was concerned about the terms of reference given to KPMG for the outline business case work as it did not address prior audit recommendations. The Auditor General stated that when the Office of the Auditor General (OAG) audited this area in 2014 and 2015, it recommended government create an overall strategy to determine what were the policy objectives to be achieved by social assistance programs. The Committee agreed with the OAG's concerns and doubted the terms of reference for the business case provided value for money.
- The Committee recommends that the Government consider the creation of a standard rate payment for welfare recipients, whether they are classed as indigents, seamen, veterans or those receiving temporary assistance.
- The Committee is concerned that the Government is integrating systems that are not currently working and there doesn't seem to be a plan to correct the issues that are not working in those units before integration and recommend that systems are not integrated.
- The Committee is also concerned that the Chief Officer in the Ministry had redirected the unit's budget for staff to recruit staff to deal with housing repairs, which exacerbated staff shortages. The Committee recommends that staff shortages are rectified as soon as possible.

- The Committee agrees that the Department of Children and Family Services and the Needs Assessment Unit were failed at the Ministry level by the lack of strategic policy dealing with social welfare.
- The PAC recommends that the Needs Assessment Unit and Department of Children and Family Services remain separate entities whose functions must be coordinated through policy reform from the Ministry including the provision of adequate resources.

**OAG comment:** The Ministry is making progress with three of the four PAC recommendations although the timescale for one is unclear. The PAC re-endorsed the original twelve recommendations made by the OAG at recommendation 1 in this report. We have assessed each of the twelve recommendations separately in Appendix 5 below and overall we conclude there has been limited progress in addressing them. We have therefore assessed the overall progress with implementing the recommendations in this report as **Amber** (some progress).

| PAC recommendation   | Government response to PAC recommendation (June 2018)  | OAG comment (September 2018)   |
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| <p>1. The PAC re-endorses the twelve recommendations previously made by the Auditor General and the additional two recommendations made by the PAC in 2015 as summarized in Appendix 2 of the report. The Committee urges the Government to implement the recommendations as a matter of priority.</p> | <p>By way of an update, the Public Accounts Committee (the Committee) is advised that the Ministry came under new managements. As of March 2018, there is a new Chief Officer and Deputy Chief Officer. Said new management has reviewed Appendix 2 of the Auditor General’s (AG) July 2017 report entitled “Follow-up on past PAC Recommendations” and are in agreement with the recommendations therein. Accordingly, the Ministry is in the process of formulating the plans of which some of the key details are summarized below.</p> | <p><b>Limited progress.</b></p> <p>OAG met with the Chief Officer on 2 August 2018 to discuss progress against the original OAG recommendations.</p> <p>The Ministry is in the process of reviewing data, statistics, research, including the Outline Business Case prepared in 2017, to inform the development of a strategy for social assistance. The Ministry also plans to consult with stakeholders to inform the development of the strategy. It has developed an internal working group to take forward this work during the remainder of 2018. The Ministry is of the view that the strategy needs to be developed first and this will support the implementation of all of the</p> |

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|    |  |  | <p>other OAG recommendations.</p> <p>This approach seems reasonable.</p> <p>The PAC may wish to ask for an update on progress with developing the strategy after the Ministry has concluded its work in 2018.</p> <p>See Appendix 5 for an update on each of the 12 original recommendations.</p> |
| 2. | <p>The Committee was concerned that KPMG was commissioned to prepare an Outline Business Case that appeared to only consider two options for welfare payments to those in need (1) keeping the current system in place, or (2) moving to an integrated operation where social service recipients can go to a one-stop-shop for all public assistance programs.</p> | <p>The Ministry acknowledges the Committee’s comment and advises that the KPMG Team used the HM Treasury Green Book Guidance (U.K.) which indicates that the OBC stage is a delivery strategy. Given this, the KPMG Team ensured that the OBC met this requirement and employed the underlying principles of the Five Case Model.</p> <p>In addition, as aforementioned, it was approved by Cabinet for the OAG’s 2015 Report to provide the strategic context for the consultancy engagement. The OAG’s 2015 Audit Report, however, did not highlight specific options for consideration as you would typically find in a strategic Assessment (a precursor to an OBC in accordance with Government’s Project Future methodology).</p> <p>Since the overall focus of the OAG’s 2015 Audit Report was on the need for a coordinated, strategic social assistance programme and maximize value for money,</p> | <p>No specific recommendation made by PAC.</p>  |

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|    |  | only two options were appropriate. These being a) the Status Quo Option or b) the Integrated Service Delivery Model.  |   |
| 3. | <p>The Auditor General was concerned about the terms of reference given to KPMG for the outline business case work as it did not address prior audit recommendations. The Auditor General stated that when the Office of the Auditor General (OAG) audited this area in 2014 and 2015, it recommended government create an overall strategy to determine what were the policy objectives to be achieved by social assistance programs. The Committee agreed with the OAG's concerns and doubted the terms of reference for the business case provided value for money.</p> | <p>The Ministry acknowledges the concerns of the Auditor General and the PAC.</p> <p>In regards to the concern that the Outline Business Case (OBC) does not address the Office of the Auditor General's (OAG) recommendations, the Ministry advises that the 2015 Audit Report provided the strategic context for the OBC as directed by Cabinet, at the start of the engagement, therefore the KPMG team met with the AG to obtain better understanding of their 2015 Report and invited representatives from the OAG to attend the meeting where the strategic context was defined. Discussions with the AG were very productive and constructive.</p> <p>Hence, the OBC work was informed by the series of recommendations and issues detailed in the OAG's 2015 Audit Report. Given this, the OBC contains vision and values developed and approved by key stakeholders, which provide the foundation for the development of an overarching Social Assistance Strategy.</p> <p>Respectful of the concerns of both the AG and the Committee regarding value for money, the Ministry has: (1) not pursued or purchased any further external consultancy services; and (2) utilized and maximized the information</p> | <p>No specific recommendation made by PAC.</p> <p>The OAG report was not intended to be a strategic assessment – it was an audit report and recommended that a social assistance strategy be developed, which is the responsibility of management (in conjunction with politicians and other stakeholders).</p> <p>The terms of reference for the KPMG assignment were not to develop a strategy for social assistance and so would not have addressed the OAG's first recommendation. The OAG expressed this concern when it met with KPMG and the then Chief Officer at the time.</p> |



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|    |  | provided in the OBC to support necessary changes and plan the way forwards. As a result, immediate and long term plans have been implemented to enhance the services.  |   |
| 4. | The Committee recommends that the Government consider the creation of a standard rate payment for welfare recipients, whether they are classed as indigents, seamen, veterans or those receiving temporary assistance.   | The Ministry and the Needs Assessment Unit (NAU) supports this recommendation and is currently working to modernize enabling legislation in order to improve the efficiency and effectiveness of financial assistance services. A review, therefore, is being undertaken of the Poor Persons (Relief) Law in order to prepare updated financial assistance legislation. As part of this process, the Ministry and NAU is looking to standardize payments and services in order to provide the necessary clarity required. It is anticipated that the <b>review will be concluded by the end of 2018.</b> | <b>Recommendation is being implemented although the timescale is unclear.</b><br><br>The PAC may wish to ask for an update on the review that is due to be concluded by the end of 2018 and what the likely timescales are for changes to the legislation and the subsequent introduction of standard payments. |
| 5. | The Committee is concerned that the government is integrating systems that are not currently working and there doesn't seem to be a plan to correct the issues that are not working in those units before integration and recommend that systems are not integrated. | In an effort to provide effective and efficient services, the Ministry and its agencies are focused on improving collaboration and communication internally and externally. Furthermore, any integration will be in respect to an integration of financial assistance services much like the creation of a standard rate for all recipients as recommended above.  | No specific PAC recommendation made.  |
| 6. | The Committee is also concerned that the Chief Officer in the Ministry had redirected the unit's budget for staff to recruit staff to deal with housing repairs,   | In the 2018/19 financial year, 33 posts were funded in the NAU budget. The Ministry is, therefore, very pleased to inform the Committee that the NAU is operating with 32  | <b>Recommendation implemented.</b>  |

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|    | <p>which exacerbated staff shortages. The Committee recommends that staff shortages are rectified as soon as possible.</p>  | <p>of the 33 posts. Efforts are underway for the final post to be filled.</p> <p>In addition, with the responsibility for the Housing Repairs Assistance Programme now being directly under the Ministry, funds for the Coordinator and Project Manager are in the Ministry's budget. This arrangement is advantageous to both the NAU and the Housing Repairs Assistance Programme.</p> |   |
| 7. | <p>The Committee agrees that the Department of Children and Family Services and the Needs Assessment Unit were failed at the ministry level by the lack of strategic policy dealing with social welfare.</p>  | <p>The Ministry acknowledges this comment. As aforementioned, in order to have clear strategic guidance as it relates to social welfare, the NAU, in partnership with the Ministry, will review the Poor Persons (Relief) Law and enhance internal policies by the end of 2018.</p>  | <p>No specific PAC recommendation made.</p> |
| 8. | <p>The PAC recommends that the Needs Assessment Unit and Department of Children and Family Services remain separate entities whose functions must be coordinated through policy reform from the ministry including the provision of adequate resources.</p> | <p>The Ministry supports this recommendation. In doing so, the Ministry has complied with it while ensuring that collaborative efforts are enhanced in order to strengthen services.</p>   | <p><b>Recommendation implemented.</b></p>   |

## APPENDIX 5 – GOVERNMENT PROGRAMMES SUPPORTING THOSE IN NEED (MAY 2015)

In July 2017, the OAG assessed the Government’s progress with implementing the recommendations in this report as **Red** (limited progress). The Public Accounts Committee (PAC) took evidence from Ms. Dorine Whittaker, Chief Officer, Ministry of Community Affairs on 16<sup>th</sup> August 2017. It then held a further hearing on 6<sup>th</sup> September 2017 at which it took evidence from Ms. Whittaker; Ms. Felicia Robinson, Director of Department of Children and Family Services; and Ms. Tamara Hurlston, Director of Needs Assessment Unit. The PAC produced a separate report as a result of these hearings with additional recommendations, which is covered at Appendix 4.

**OAG comment on Government’s response:** The OAG met with the new management team in the Ministry of Community Affairs in August 2018 to obtain an update on progress with the original 12 recommendations made by the OAG in its report *Government Programmes Supporting Those in Need* (May 2015). Based on this information, the OAG has assessed the Government’s overall progress with implementing the recommendations in the report as **Red** (limited), no change on the assessment last year. However, it is worth noting that the Ministry has started work to develop a social assistance strategy. The implementation of most other recommendations is directly linked to a strategy being in place. We therefore believe that it is appropriate to develop the strategy first as this should inform the actions needed to implement the other recommendations.

The table has been amended to include only those original recommendations that had not been fully implemented as at the last formal update to PAC in July 2017. To aid the reader, the original recommendation numbers have been maintained.

| Recommendation   | Original management response to OAG recommendation   | Government response (October 2016)                                      | OAG comment (July 2017)  | Government update (August 2018)  | OAG comment (October 2018)                                    |
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| 1. The Government should develop a coordinated social assistance strategy, including clear | The Ministries involved accept the recommendation that a coordinated social assistance strategy is | The Government accepts the recommendation.<br><br>In order to implement | Modernisation of Social Assistance Programmes has been included in Phase Four of the | The OAG met with MCA management on 2 August 2018 to get an update on progress. | <b>Recommendation being implemented.</b><br><br>This approach |

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|  | <p>priorities and the specification of desired results, to provide overall direction for planning and delivering social assistance and monitoring the results achieved. (OAG)</p> | <p>needed for the Cayman Islands. As the Government has committed to improving the lives of the most vulnerable persons in our society, this would require formal approval by Cabinet to begin this process.</p> <p><b>Planned implementation date:</b> Subject to date set by the Government.</p> | <p>the recommendation a formal approval from Cabinet is required.</p> <p>As of August 2016, this recommendation is in the scope of the OBC.</p> | <p>Project Future programme. The Ministry awarded a contract in January 2017 to prepare an Outline Business Case (OBC) for the project. We understand that the OBC was due to be prepared by the end of March 2017.</p> <p>We have not seen the OBC to assess its content or whether it addresses the recommendation. We are not aware of the overall timescale for the project.</p> <p>The PAC may wish to ask for an update.</p> | <p>The Ministry is in the process of reviewing data, statistics, research, including the Outline Business Case prepared in 2017, to inform the development of a strategy for social assistance (for programmes that fall within the remit of MCA). The Ministry also plans to consult with stakeholders to inform the development of the strategy. It has developed an internal working group to take forward this work during the remainder of 2018. The Ministry is of the view that the strategy needs to be developed first and this will support the implementation of</p> | <p>seems reasonable.</p> <p>The PAC may wish to ask for an update on progress with developing the strategy, including timescales, after the Ministry has concluded its work in 2018.</p> |
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|    |  |  |   |  | all of the other OAG recommendations. |  |
| 2. | The Government should assess the manner in which roles, responsibilities and budgets are assigned, with a view to facilitating a coordinated social assistance programme. (OAG)                              | The Ministries agree with the recommendation and this will form part of the coordinated social assistance strategy once approved by Cabinet.<br><br><b>Planned implementation date:</b> Subject to date set by the Government. | The Government agrees with this recommendation and this will form part of the coordinated social assistance programme once approved by Cabinet.   | <b>No update is provided to the original management response.</b>  | See response to recommendation 1.     | <b>No progress.</b><br>See OAG's comment on Government Responses and recommendation 1. |
| 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. (OAG) | The Ministries agree with the recommendation. This should form part of the strategy as outlined previously at responses 1 and 2 above.<br><br><b>Planned implementation date:</b> TBD  | The Government agrees with this recommendation.<br><br>This should form part of the strategy as outlined previously at responses 1 and 2 above. All the agencies involved in these processes are expected to develop mechanisms for monitoring, evaluation and reporting. | <b>The update states that additional resources are needed to implement this recommendation. It does not specify the extent of additional resources needed or whether they have been received in 2016-17.</b> | See response to recommendation 1.     | <b>No progress.</b><br>See OAG's comment on Government Responses and recommendation 1. |

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|    |  |   | Subject to additional resources being provided, the Government expects that this strategy would be implemented in the 2016-17 budget year.  |   |                                   |  |
| 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. (OAG) | The Ministries accept that it is important to have this recommendation actioned. However, it would be imperative that the responsible agency be adequately resourced in order to efficiently carry out this function. It should also be noted that presently the NAU is understaffed and thereby unable to perform the necessary research required to determine trends and appropriate strategies. However, should the NAU be adequately staffed, the Unit would be able to coordinate this | <p>The Government accepts the importance of this recommendation.</p> <p>However, it is imperative that the responsible agency be adequately resourced in order to efficiently carry out this recommendation.</p> <p>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.</p> <p>Should the NAU be</p> | <p><b>There is no update to the original management response.</b></p> <p>The original response stated that additional resources were required to implement the recommendation. There is no indication of the extent of additional resources needed.</p> | See response to recommendation 1. | <p><b>Recommendation in progress.</b></p> <p>See OAG's comment on Government Responses and recommendation 1.</p> |

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|    |  | <p>information with other Departments within the Government such as the Department of Economics and Statistics.</p> <p><b>Planned implementation date:</b><br/>TBD</p>   | <p>adequately staffed, the Unit would be able to coordinate this information with other Departments within the Government such as the ESO.</p>   |   |  |   |
| 5. | <p>The Government should set clear, realistic and measurable objectives for each social assistance programme to provide a basis for assessing its performance.</p> | <p>Agree. The Ministry of Community Affairs currently has policies in place for: Temporary Poor Relief, Permanent Poor Relief and Seaman Ex-gratia Payments. The NAU is currently using a Ministry approved Eligibility criteria for all forms of poor relief assistance' policy since September 2014. The Ministry is also operating under a 2002 Cabinet approved policy in order to determine applicants eligibility. However, the Ministry</p> | <p>The Government agrees with this recommendation.</p> <p>The Government currently has policies in place for the following types of relief: Temporary Poor Relief, Permanent Poor Relief and Seaman Ex-gratia Payments.</p> <p>Since September 2014, the NAU is using a Ministry approved revised 'Eligibility criteria for all forms of poor relief assistance' policy.</p> | <p><b>Recommendation in progress.</b></p> <p>The update states that Cabinet approved new Seamen criteria in November 2015 and that further proposed changes to the criteria were with the Minister for consideration.</p> <p>The update states that Cabinet needs to make a policy decision to address the concerns regarding health insurance for Seamen and Veterans. It does</p> | <p>See response to recommendation 1.</p> | <p><b>No progress.</b></p> <p>See OAG's comment on Government Responses and recommendation 1.</p> |

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|  |  | <p>has proposed the revisions to the criteria based on the recommendations of the 2013 internal audit. These proposed changes are being prepared for Cabinet consideration and approval.</p> <p>It should be noted that while the Ministry agrees with this recommendation, it is imperative that additional human resources are obtained in order to effectively measure the impact of the financial assistance.</p> <p>Clear, realistic and measurable objectives for medical insurance for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision). Further, the Ministry has developed a Policy Document for the</p> | <p>Unfortunately due to the NAU being severely understaffed implementing this recommendation would not be possible without additional resources.</p> <p>The Government is also operating under a 2002 Cabinet approved policy to determine eligibility and in November 2015 Cabinet approved the new 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.</p> | <p>not specify whether Cabinet has been requested to make such a policy decision.</p> <p>The original and updated responses state that additional resources were required to implement the recommendation. No indication is given of the extent of additional resources needed.</p> <p>The PAC may wish to ask for an update.</p> |  |  |
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|  |  | <p>enrolment of Seamen and Veterans for Medical Insurance which include a basis for assessing the Programme.</p> <p><b>Planned implementation date:</b><br/>The NAU is severely understaffed and pending additional resources this recommendation would not be possible.</p> | <p>Whilst 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.</p> <p>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 for assessing the Programme.</p> <p>To address the concerns regarding health insurance for Seamen and Veterans would require</p> |  |  |  |
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|    |  |  | Cabinet making a policy decision.  |   |                                   |   |
| 6. | <p>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. (OAG)</p> | <p>The Ministry of Community Affairs agrees with the recommendation and has revised the current approved criteria for the benefits. 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.</p> <p>The medical insurance benefits for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013 Revision).</p> | <p>The Government agrees with this recommendation and has revised the current Cabinet approved criteria for the benefits.</p> <p>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.</p> <p>The medical insurance benefits for Seamen and Veterans are set out in section 5(4) of the Health Insurance Law (2013</p> | <p><b>No update is provided to the original management response.</b></p> <p>The Older Persons Law 2017 passed by the Legislative Assembly in March 2017 does not include any provisions for programmes to pay benefits to seamen and ex-service men.</p> <p>The Older Persons Policy 2016 refers to benefits and subsidies but it is not clear if this policy is being implemented.</p> <p>The PAC may wish to ask for an update.</p> | See response to recommendation 1. | <p><b>No progress.</b></p> <p>See OAG's comment on Government Responses and recommendation 1.</p> |

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|    |   | Further the Ministry of Finance & 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.<br><br><b>Planned implementation date:</b><br>TBD | Revision). Further the Ministry of Finance & 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. |   |   |   |
| 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 | 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.<br><br>Furthermore, the Poor Persons Relief Law needs to be amended                                    | The Government agrees with this recommendation. However, in order to action the recommendation a policy decision is required to be made by Cabinet.<br><br>The Ministry of Community Affairs has drafted regulations for the                                    | <b>The update states that draft Regulations were being reviewed by Legal Drafting. It did not provide an indicative timescale for completion.</b><br><br>The PAC may wish to ask for an update. | See the Ministry's response to PAC recommendation 4 on PAC report social assistance programmes FU on past PAC recommendations (Appendix 4). | <b>Recommendation partly being implemented.</b><br><br>The Ministry is currently reviewing the Poor Persons (Relief) Law. The review is due to be completed by the end of 2018. After which, revised legislation will be drafted. |

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|    | including the basis for the development of criteria needed to effectively manage the programmes. (OAG)  | to reflect the over-arching philosophy of the social assistance strategy and best practice.<br><br><b>Planned implementation date:</b><br>TBD                  | Poor Persons Relief Law and these should be presented to Cabinet for their consideration and approval prior to June 30, 2015.<br><br>Furthermore, the Poor Persons Relief Law needs to be amended to reflect the over-arching philosophy of the social assistance strategy and best practice.<br><br>The Government is happy to report that after some unforeseen delays, draft Regulations are being reviewed by Legal Drafting. |  |  | However, based on the Ministry's response to recommendation 1 above the drafting of revised legislation is linked to the development of a social assistance strategy. |
| 8. | The Department of Children and Family Services (DCFS) together with the Ministry of Health should develop and document policies, eligibility criteria and | In accordance with 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 | In accordance with 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  | <b>Recommendation in progress.</b><br><br>The response states that medical indigent coverage has now been completed and implemented. | See response to recommendation 1.<br><br>The working group plans to revisit a proposal developed in 2016 by MCA and Ministry of Health | <b>No further progress.</b><br><br>See OAG's comment on Government Responses and recommendation 1.  |

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|    | <p>procedures to guide the assessment of people as indigents for purposes of health insurance and medical services. (OAG)</p>   | <p>time being responsible for Social Services on the advice of the Director of Children and Family Service, is unable by reason of inadequate resources, to pay for health insurance or medical services.</p> <p>The Department of Children and Family Services has revised their policy for advising the Minister responsible for Social Services in regards to indigent medical and this currently being reviewed.</p> <p><b>Planned implementation date:</b><br/>30 June 2015</p> | <p>time being responsible for Social Services on the advice of the Director of Children and Family Service, is unable by reason of inadequate resources, to pay for health insurance or medical services.</p> <p>The DCFS has revised their policy for advising the Minister responsible for Social Services in regards to indigent medical and this currently being reviewed.</p> <p>Medical indigent coverage has been completed and implemented based on the requirements of the Health Insurance Law (2013 Revision).</p> | <p>The original OAG recommendation referred to DCFS working with the Ministry of Health. The Government response refers to working with the NAU (which is in the same Ministry as DCFS). It is not clear from the response if DCFS and the Ministry of Health are working together as recommended.</p> | <p>to address this recommendation.</p> |  |
| 9. | <p>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. (OAG)</p> <p>Recommendation 9 was <b>implemented as at July 2017</b>.</p> |  |   |  |  |  |

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| 10 | <p>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. (OAG)</p> | <p>Since September 2014, the NAU is operating on a Ministry approved policy for temporary poor relief. The policy outlines the eligibility criteria which require the applicant to provide supporting documentation and specific requirements in order to receive financial assistance.</p> <p>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 &amp; Economic Development assumed responsibility for the management and processing of health insurance benefits for Seamen and Veterans in November 2013, the Ministry liaise</p> | <p>Since September 2014, the NAU is operating on a Ministry approved policy for temporary poor relief. The policy outlines the eligibility criteria which require the applicant to provide supporting documentation and specific requirements in order to receive financial assistance.</p> <p>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 &amp; Economic Development assumed responsibility for the management and processing of health insurance benefits for Seamen and Veterans in November 2013,</p> | <p><b>Recommendation in progress.</b></p> <p>Update states that the revised criteria used since September 2014 are included within the scope of the OBC.</p> <p>The PAC may want further information on the scope and timescale of the OBC.</p> | <p>See response to recommendation 1.</p> | <p><b>No progress.</b></p> <p>See OAG's comment on Government Responses and recommendation 1.</p> |
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|    |  | <p>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.</p> <p><b>Planned implementation date:</b><br/>Implemented September 2014.</p> | <p>the Ministry liaise 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.</p> <p>The revised criteria were implemented in September 2014 and are in the scope of the OBC.</p> |   |  |   |
| 11 | <p>The Government should develop appropriate appeals processes and ensure that all applicants for benefits are provided with information about how to appeal decisions regarding</p> | <p>This process is developed by the NAU in conjunction with the Ministry of Community Affairs and will be included in the draft Poor Persons Relief Regulations.</p>  | <p>The Government agrees with this recommendation.</p> <p>This process is developed by the NAU in conjunction with the Ministry of Community Affairs</p>   | <p><b>Recommendation in progress.</b></p> <p>The update states that the Ministry is obtaining legal advice on whether this can be incorporated in to the draft Poor</p> | <p>See response to recommendation 7. The appeals process will be developed as part of the Poor Persons (Relief) Law.</p> | <p><b>Recommendation partly being implemented.</b></p> <p>See OAG's comment on Government Responses and recommendation 1.</p> |

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|    | <p>their eligibility, including who will adjudicate the appeal and when they can expect to be informed of outcomes. (OAG)</p> | <p><b>Planned implementation date:</b><br/>July 2015</p> <p>The Ministry of Finance &amp; Economic Development will update the Appeals Process section of the Policy Document for the Enrolment of Seamen &amp; Veterans for Medical Insurance to include the type of appeals that will be accepted (i.e. written, verbal etc.) and when applicants can expect to receive a response to an appeal.</p> <p><b>Planned implementation date:</b><br/>31 May 2015</p> | <p>and will be included in the draft Poor Persons Relief Regulations.</p> <p>The Ministry of Finance &amp; Economic Development will update the Appeals Process section of the Policy Document for the Enrolment of Seamen &amp; Veterans for Medical Insurance to include the type of appeals that will be accepted (i.e. written, verbal etc.) and when applicants can expect to receive a response to an appeal.</p> <p>The Ministry of Community Affairs is obtaining advice from Legal Drafting on including an appeals process in the draft Poor Persons (Relief) Regulations.</p> | <p>Persons (Relief) Regulations.</p> <p>It does not provide an indication of timescale despite the planned implementation dates being May and July 2015.</p> <p>The PAC may wish to ask for an update.</p> |  |  |
| 12 | <p>The Government should ensure that social assistance</p>  | <p>The Ministry agrees with this recommendation;</p>  | <p>The Ministry agrees with this recommendation;</p>   | <p><b>The update states that a proposal to ensure consistent</b></p>   | <p>See response to recommendation 1.</p> | <p><b>No progress.</b></p> <p>See OAG's comment on</p> |



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|    | <p>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. (OAG)</p> | <p>however, it will be necessary to ensure that the NAU is adequately resourced in order to meet the demands of the public.</p> <p><b>Planned implementation date:</b><br/>The implementation of this recommendation is dependent on NAU obtaining sufficient human resources to carry out the roles and responsibilities.</p> | <p>however, it will be necessary to ensure that the NAU is adequately resourced in order to meet the demands of the public.</p> <p>The implementation of this recommendation is dependent on NAU obtaining sufficient human resources to carry out the roles and responsibilities.</p> <p>The Director of NAU will provide the Ministry of Community Affairs with a proposal to ensure that terms and conditions (service standards) are consistent.</p> | <p><b>terms and conditions will be provided to the Ministry. It does not specify a timescale for doing this. Nor does it comment on these being consistent with resources available.</b></p> <p>The PAC may wish to ask for an update.</p> |  | <p>Government Responses and recommendation 1.</p>   |
| 13 | <p>The PAC would like to suggest that a major overhaul of the procedures and policies, to devolve authority and reduce the bureaucratic</p>  | N/A  |  | <p><b>There is no specific response to this recommendation.</b></p> <p>The PAC may wish to ask for an update.</p>  | <p>See response to recommendation 1.</p> | <p><b>No progress.</b></p> <p>See OAG’s comment on Government Responses and recommendation 1.</p> |

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|    | duplication that was clearly demonstrated in the public hearings may be a better use of Government resources. (PAC)  |     |  |  |  |   |
| 14 | The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC) | N/A |  | <p><b>There is no response to this recommendation.</b></p> <p>The original response and update state in numerous places that additional resources are required to implement recommendations but there is no indication of how much additional resource or whether it is needed on a recurring basis.</p> |  | <p><b>Recommendation implemented.</b></p> <p>See response to recommendation 6 in Appendix 4. The Ministry has now addressed staffing vacancies.</p> |

## APPENDIX 6 – FINANCIAL AND PERFORMANCE REPORTING – ENTIRE PUBLIC SECTOR; STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES; AND PORTFOLIOS AND MINISTRIES FOR THE YEARS ENDING 30 JUNE 2013 AND 2014 (SEPTEMBER 2015)

In July 2017, the OAG assessed the Government’s progress with implementing the recommendations in this report as **Amber** (some progress made). The Public Accounts Committee (PAC) took evidence from Ms. Anne Owens, the Acting Financial Secretary and Chief Officer, Ministry of Finance and Economic Development on 16<sup>th</sup> August 2017. Prior to the meeting, Ms. Owens provided a written submission providing a further update on progress with the recommendations. The PAC produced a separate report on *Follow Up on past PAC Recommendations* (July 2017) with some additional recommendations, which is covered at Appendix 2 of this report.

**OAG comment on Government’s response:** In August 2018, the OAG obtained an update on progress with the recommendations from the Ministry of Finance and Economic Development. Based on this information, the OAG has assessed the Government’s overall progress with implementing the recommendations in the report as **Amber** (some progress). This is the same assessment as last year. However, the Ministry is started to implement more of the recommendations than previously although many of the implementation dates are in the future.

The table has been amended to include only those original recommendations that had not been fully implemented as at the last formal update to PAC in July 2017. To aid the reader, the original recommendation numbers have been maintained.

| Recommendation  | Original management response to OAG recommendation | Government response (October 2016)              | OAG comment (July 2017)                        | Government response (August 2018)   | OAG comment (October 2018)                             |
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| 1. The Government should develop a clear plan and set goals for the | Management agrees with this recommendation.        | The Government agrees with this recommendation. | <b>Recommendation in progress.</b><br>The PMFL | The Ministry of Finance (MOF) has issued two parts (Part 1 & 2) of the four part Public Finance | <b>Recommendation in progress.</b><br>A Public Finance |

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|  | <p>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.</p> | <p>A tentative plan to be developed by December 4, 2015. This plan will be subject to change contingent on the proposed amendments to the PMFL (2013 Revision).</p> <p><b>Planned implementation date:</b> December 2015</p> | <p>This plan is subject to change contingent on the proposed amendments to the PMFL.</p> | <p>amendments approved in March 2017 clearly outline the accountability of the Financial Secretary and Chief Officer of Finance for the overall financial management and reporting for the Government.</p> <p>It states that the Financial Secretary is:</p> <ul style="list-style-type: none"> <li>(a) to be the overall leader of the Government financial management and reporting functions</li> <li>(b) to promote improved financial reporting across the entire public sector; and</li> <li>(c) any other functions conferred under regulations or</li> </ul> | <p>Manual. Development of the content for Parts 3 &amp; 4 is ongoing and should be completed by 31 January 2019.</p> <p>The Ministry of Finance has developed the Terms of Reference for a Budget and Reporting Review Committee – which has been provided to OAG. This Committee will begin meeting in November 2018. It should also be noted that the MoF has been advised that OAG intends to conduct an audit on the Budget Framework concurrent to this Committees timeline.</p> | <p>Manual, as required by the PMFL, is being drafted. Part 1 was issued in October 2017 and Part 2 in February 2018; Parts 3 and 4 are expected to be completed by end of January 2019.</p> <p>A committee to review the budgeting and reporting arrangements is being established.</p> <p>The PAC may wish to explore further the indicative timescales for the committee and new arrangements being introduced.</p> |
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|    |   |  |  | <p>a job description.</p> <p>Additionally section 54 of the Law outlines explicitly the responsibility of the Chief Officer of Finance for development and management of a public finance manual and for monitoring compliance with the PMFL.</p> <p>Requirements have been put in place to address this recommendation. It is too early to assess how effective they are in practice. OAG will keep this under review.</p> |  |  |
| 2. | <p>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.</p> <p>Recommendation 2 was <b>implemented as at July 2017</b>.</p> |  |  |   |  |  |

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| 3. | <p>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.</p> | <p>Management will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> <p>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.</p> <p><b>Planned implementation date:</b> 31 December 2016</p> | <p>The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> | <p><b>No progress has been made.</b></p>  | <p>With the establishment of the Budget and Reporting Review Committee, a more thorough execution of this recommendation will be addressed by this Committee.</p>  | <p><b>Recommendation to be implemented but not yet started.</b></p> <p>The Ministry of Finance response states that the Budget and Reporting Review Committee will take forward this recommendation.</p> |
| 4. | <p>Management should consider the requirements of IPSASB accounting standards and implement control processes that ensure that objectives of the</p>  | <p>Management agrees with this recommendation. However, in considering IPSAS 6 management needs to ensure that such consolidation does not result in</p>  | <p>The Government agrees with this recommendation.</p>  | <p><b>The Minute does not give a progress update to say whether this recommendation has been implemented.</b></p> <p>It should be noted that a new standard</p> | <p>Notwithstanding the recent changes to the Public Management and Finance Law (PMFL), the Government recognises that it still can exercise control of the Public Service Pensions Board, and by extension the</p> | <p><b>Recommendation being implemented.</b></p> <p>The Ministry has committed to implement this recommendation in the 2018 EPS</p>   |

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| <p>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:</p> <ul style="list-style-type: none"> <li>• IPSAS 6 should be clearly analyzed and reviewed to ensure that the consolidation process is performed in compliance to this standard; and</li> <li>• Controls processes such as full intercompany balances and reconciliation, proper identification and codification of transactions</li> </ul> | <p>information which could potentially be misleading.</p> <p><b>Planned implementation date:</b> 30 June 2016</p> |  | <p>(IPSAS 35) has been released subsequent to the AG report, which supersedes IPSAS 6. Any actions taken should take this change in to account.</p> <p>It is also worth noting that communications received from the Financial Secretary regarding changes in the legislation to exclude the Public Sector Pension Board from the EPS consolidation will also have some bearing on this recommendation's action.</p> | <p>Public Service, Parliamentarian and Judicial Pensions Plans, and therefore all the Board's assets, liabilities, revenues and expenditures should be consolidated in the Entire Public Sector financial statements.</p> <p>The Ministry will undertake to consolidate these entities in the 2018 EPS financial statements.</p> | <p>financial statements.</p> |
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|    | and balances that would require special adjustments during the consolidation process should be in place.   |  |   |   |  |   |
| 5. | <p>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.</p> | <p>Management will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> <p>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.</p> <p>A tentative plan to be developed by December 4, 2015. This plan will be</p> | <p>The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> | <p><b>Recommendation partly in progress.</b></p> <p>The amendments to the PMFL in 2017 make clear the role of the Financial Secretary and Chief Officer of Finance in developing a public finance manual, which sets out the financial management and reporting policies for all entities consistent with GAAP.</p> <p>The PMFL Amendments approved in March 2017 did not make any changes to the system of using outputs for reporting</p> | <p>MOF has developed the Terms of Reference for a Budget and Reporting Review Committee – which has been provided to OAG. This Committee will begin meeting in November 2018 (after peak vacation time). It should also be noted that the MOF has been advised that OAG intends to conduct an audit on the Budget Framework concurrent to this Committee's timeline.</p> | <p><b>Recommendation to be implemented but not yet started.</b></p> |



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|    |   | <p>subject to change contingent on the proposed amendments to the PMFL (2013 Revision).</p> <p><b>Planned implementation date:</b> 31 December 2016</p> |   | the appropriations.  |  |   |
| 6. | <p>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.</p> | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 30 June 2016</p>  | <p>The Government agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 31 March 2017</p> | <p><b>Recommendation in progress.</b></p> <p>At end June 2017 Terms of Reference for a core government audit committee have been drafted and are with the Deputy Governor (DG) for consideration.</p> <p>The Government is considering whether the PMFL needs to be amended to provide a statutory basis for the committee. In the meantime it plans to operate the committee under the DG's responsibilities.</p> | <p>[Terms of Reference for the core government audit committee] has been passed to the Deputy Governor's Office for establishment. The specific individuals to sit on the Committee are still to be finalised.</p> | <p><b>Recommendation in progress.</b></p> <p>Government previously reported that the audit committee would be established by September 2017. This has not yet happened – 11 months later.</p> <p>The PAC may wish to receive an update on progress and explore the reasons for the delay.</p> |

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|    |   |  |   | Government aims to have the audit committee fully established by end of September 2017.  |  |   |
| 7. | <p>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.</p> | <p>Management agrees with this recommendation.</p> <p>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.</p> <p><b>Planned implementation date:</b> 31 December 2016</p> | <p>The Government agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 31 March 2017</p> | <p><b>As at end June 2017 no progress has been made.</b></p> <p>The Ministry of Finance and Economic Development reports that to achieve this recommendation it needs to employ a non-civil servant to produce this framework as civil servants do not have the (extensive) time required to devote to this important task. The Ministry aims to reach a conclusion on this possibility by 31 July 2017.</p> | <p>On 4 July 2018, the Ministry of Finance and Economic Development finalized a business case for the procurement of consultancy services to assist with the development and implementation of:</p> <ul style="list-style-type: none"> <li>- a risk management framework to adequately assess and manage risks to achieve revenue objectives;</li> <li>- a control framework with appropriate controls to ensure that all revenues are fully collected;</li> <li>- a performance reporting framework that includes objectives, goals,</li> </ul> | <p><b>Recommendation in progress.</b></p> <p>The anticipated implementation date is now 31 March 2019 – two years later than originally planned.</p> <p>The PAC may wish to ask for an update on progress with appointing a consultant to take forward this work.</p> |

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|    |  |  |  |  | <p>performance indicators and performance analysis for responsibilities relating to the collection of revenues; and</p> <ul style="list-style-type: none"> <li>- detailed policies and procedures for the effective management of PPPs or other alternative financing initiatives.</li> </ul> <p>The Ministry aims to complete the RFP and select the vendor by 30 September 2018 and have the frameworks developed and implemented by 31 March 2019.</p> |  |
| 8. | <p>The 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 proactive reporting of fraud and suspected fraud to senior management and the Legislative Assembly.</p> <p>Recommendation 8 was <b>implemented as at July 2017</b>.</p> |  |  |  |   |  |

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| 9. | <p>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.</p> | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 31 December 2016</p> | <p>The Government agrees with this recommendation.</p> | <p><b>Recommendation in progress.</b></p> <p>As at end of June 2017, The Ministry of Finance and Economic Development has confirmed that the majority of management responses agreed in the IRIS update reports have been addressed.</p> |  | <p><b>Recommendation being implemented.</b></p> <p>The Ministry of Finance provided an update on progress with implementing the IRIS upgrade report in September 2018. This showed that the majority of recommendations have now either been implemented or are in progress.</p> <p>OAG met with CSD in October 2018 to discuss progress with the OAG report on the General IT Control Environment. CSD confirmed that it has taken a number of steps to implement some of the recommendations and has plans to implement more.</p> |
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|     |   |   |   |  |   | However, the IT risks facing the Government now may be different and higher, from those reported in 2015, due to advances in and increased use of technology. CSD therefore intends to commission an independent assessment of its current environment to provide a new baseline. The OAG will review this assessment in due course. |
| 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 | Management agrees with this recommendation.<br><br><b>Planned implementation date:</b> 31 December 2016 | The Government agrees with this recommendation. | <b>Recommendation in progress.</b><br><br>As at end of June 2017, the Ministry of Finance and Economic Development stated that it had a draft Internal Controls policy. It is developing | The Internal Controls Policy was issued 5 October 2017 with an effective date of 1 November 2017. This Policy is about to be reviewed by IAS. | <b>Recommendation implemented.</b><br><br>An Internal Controls Policy has now been developed and brought into effect.  |

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|  | provide assurance regarding the stewardship of public money to senior management. |  |  | a rollout strategy and anticipates that the policy will be introduced in September 2017. |  |  |
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## APPENDIX 7 - NATIONAL LAND DEVELOPMENT AND GOVERNMENT REAL PROPERTY (JUNE 2015)

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In July 2017, the OAG assessed the Government's progress with implementing the recommendations in the report in *National Land Development and Government Real Property* (June 2015) as **Amber** (some progress). The Public Accounts Committee (PAC) took evidence from Mr. Alan Jones, Chief Officer, Ministry of Commerce, Planning and Infrastructure on 16<sup>th</sup> August 2017.

The PAC produced a separate report on Follow Up on past PAC Recommendations (July 2017) with some additional recommendations, which is covered at Appendix 2 of this report.

**OAG comment:** In assessing the Government's overall performance with implementing the recommendations in *National Land Development and Government Real Property* (June 2015), the OAG reviewed the responses provided in the Government Minute of June 2018; used evidence it had collected for an ongoing performance audit on *Fighting Corruption in the Cayman Islands*; and obtained an update from officials in the Ministry of Commerce, Planning and Infrastructure (for recommendations 2, 9 and 10) and Ministry of Finance and Economic Development (for recommendations 13 and 14) on progress. Based on all of this information, the OAG has assessed the Government's overall progress with implementing the recommendations in the report as **Green** (significant progress), this is an improvement on last year's assessment. Although significant progress has been made on a number of recommendations there are three recommendations (5, 13 and 14) where no further progress has been made. Recommendations 13 and 14 are the responsibility of the Ministry of Finance.

The table has been amended to include only those original recommendations that had not been fully implemented as at the last formal update to PAC in July 2017. To aid the reader, the original recommendation numbers have been maintained.

| Recommendation  | Original management response to OAG recommendation   | Government response as at October 2016  | OAG comment (July 2017)  | Government response (June and September 2018)   | OAG comment (September 2018)  |
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| <p>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. (OAG)</p> | <p>Management supports this recommendation.</p> <p><b>Planned implementation date:</b> TBD in accordance with policy direction received from Government.</p> | <p>The Government accepts this recommendation and agrees that a review of the National Development Plan for the Cayman Islands is overdue and required.</p> <p>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 the recommendation. However, such a review remains a priority for the</p> | <p><b>No progress made.</b></p> <p>The update states that due to lack of resources this recommendation has not been taken forward but remains a priority. It does not specify when the resources will become available to action this.</p> | <p>See Government’s response to recommendation 4 in the PAC report on Follow Up on past PAC recommendations (Appendix 2).</p> | <p><b>Recommendation being implemented.</b></p> <p>The Ministry states that consultation on the National Development Plan will start in July to September 2018 (Q3) and the review in November 2018. However, the plan will not be completely reviewed and updated for another four years (2022).</p> <p>The Ministry has also committed to introducing a development plan for the Sister Islands. However,</p> |



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|    |   |   | Government.  |  |  | the PAC recommended that the National Development Plan cover all of the Cayman Islands rather than have two separate plans.   |
| 2. | <p>The Crown Lands below the high water mark should be included in national development plans and that:</p> <ul style="list-style-type: none"> <li>• Cabinet be removed from day-to-day operational decision-making;</li> <li>• a specific agency be made responsible for long range planning of off-shore development; and</li> <li>• the Central Planning Authority's (CPA) discretion should be exercised in conformance with national policy, land use plans and</li> </ul> | <p>Management supports this recommendation at a general level, but notes that there are a number of specific issues that would need to be considered and addressed in advance of implementing this recommendation. Of particular concern is the extent of the Development Plan extension as it relates to the Crown ownership of land below the water line.</p> | <p>The Government does not entirely agree with this recommendation.</p> <p>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</p> | <p><b>No progress has been made.</b></p> <p>The update continues to state concerns in relation to extending the National Development Plan to cover Crown lands below the water line. The Government has set up a committee to review this further.</p> <p>The PAC may wish to ask for an update.</p> | <p>The Planning Dept. is in the process of completely reviewing the National Development Plan. The Draft Strategic Planning Statement contains provisions for the creation of a new Coastal Zone to replace the present Coastal Works Licence process. This zone seeks to ensure that development taking place, in, on, or over Crown Lands below the high-water mark is managed and directed by the National Planning</p> | <p><b>Recommendation being implemented.</b></p> <p>The recommendation is being taken forward by Ministry of Commerce, Planning and Infrastructure as part of the review of the National Development Plan.</p> <p>The Ministry of Health, Environment, Culture and Housing is setting up a committee to review the</p> |

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|    | advice from the Department of Environment. (OAG)   | <b>Planned implementation date:</b> TBD in accordance with policy direction from Government.   | this matter.   |  | Policy.<br><br>Any changes to the coastal works application/approval process will require amendments to the National Conservation Law. A Committee is being established by the Ministry of HECH to review this law. | National Conservation Law.  |
| 3. | Central Planning Authority (CPA) and Development Control Board (DCB) hearings should be open to the public and should provide a rationale for their decisions. (OAG) | This is a matter for the CPA and DCB. Management is therefore unable to give an undertaking in this regard.<br><br><b>Planned implementation date:</b> TBD. Policy direction required of Government. | The Government agrees with the recommendation in principle.<br><br>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'. | <b>It is not clear whether this recommendation is being taken forward.</b><br><br>The PAC may wish to request an update from the Central Planning Authority and Development Control Board. |   | <b>Recommendation implemented.</b><br><br>From other OAG work we can confirm that CPA and DCB meetings are open to the public and the rationales for decisions are also made public on the Department of Planning's website after each meeting. |

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| 4. | <p>The register of interests for the members of the CPA and the DCB as required by the <i>Standards in Public Life Law</i> be implemented immediately. (OAG)</p> <p>Recommendation 4 was <b>implemented as at July 2017</b>. In addition, the Ministry provided a further update to PAC in June 2018 stating that Registers of Interest for the CPA and DCB are now published. The OAG can confirm that this is the case.</p> |   |   |  |   |
| 5. | <p>The membership of the CPA and the DCB should be balanced to include members representing sectors other than the building and development industry. (OAG)</p>   | <p>This is a matter for Cabinet. Management is therefore unable to give an undertaking in this regard.</p> <p><b>Planned implementation date:</b> TBD</p> | <p>The Government agrees with this recommendation and will ensure that going forward the membership of the CPA and DBC is balanced.</p> | <p><b>Recommendation in progress.</b></p> <p>Government confirms that the recommendation will be implemented but does not indicate a timescale for doing this.</p> | <p><b>No progress.</b></p> <p>From other OAG work we can confirm that this recommendation has not been implemented.</p> |
| 6. | <p>The enforcement functions for planning, building and electrical codes and water should be independent from the planning function and should be appropriately staffed. (OAG)</p> <p>As at July 2017, the Government did not agree with the recommendation and did not plan to take any action.</p>  |   |   |  |   |
| 7. | <p>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. (OAG)</p> <p>As at July 2017, the Government did not agree with the recommendation and did not plan to take any action.</p>   |   |   |  |   |

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| 8. | <p>The Lands and Survey Department should dispose of properties deemed surplus. (OAG)</p>   | <p>Under the direction of Government (and as part of Project Future) this process has already commenced.</p> <p><b>Planned implementation date:</b> Ongoing. Sales to be phased to maximize value and to align with existing staffing resources.</p>                   | <p>The Government agrees with this recommendation.</p> <p>The disposal of surplus Government properties is being actioned via the Department of Lands and Survey.</p>  | <p><b>Recommendation in progress.</b></p>  | <p>See Government's response to recommendation 4 in the PAC report on Follow Up on past PAC recommendations (Appendix 2).</p>   | <p><b>Recommendation being implemented.</b></p>  |
| 9. | <p>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. (OAG)</p> | <p>Management is not in disagreement with this recommendation. However, the difficulties in putting in place a workable system should not be underestimated.</p> <p><b>Planned implementation date:</b> Exploratory work has already commenced. Any implementation</p> | <p>The Government agrees with this recommendation in principle.</p> <p>The difficulties with putting in place a workable system should not be underestimated.</p> <p>The CO has established a committee to study this matter and to provide a draft report which has</p> | <p><b>The recommendation is being considered. A committee was been established to review this and report to the CO.</b></p> <p>The PAC may find it helpful to receive an update on what actions will be taken as a result of the committee's report and indicative timescales.</p> | <p>The Department of Lands and Survey, in conjunction with the Ministry of Finance, have developed effective manual procedures to ensure that properties relating to companies who have been struck-off at General Registry are vested in the Minister of Finance (in the name of Crown).</p> | <p><b>Recommendation implemented.</b></p> <p>The Department of Lands and Survey is now part of the Ministry of Education, Youth, Sports, Agriculture and Lands (MEYSAL). We will check the procedures described as part of the 2016-17 MEYSAL audit,</p> |

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|    |   | date to be subject to the solving of certain difficult technical matters and the obtaining of directives on some legal aspects of the current law.   | been given to the CO who is currently reviewing the findings.<br><br>Appropriate action will be taken.  |  |  | which is currently being completed.  |
| 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. (OAG) | Management agrees with this aim, whilst having some reservations about the practicality of applying any agreed policies to those entities outside of core government. Any decisions based on highest and best use will remain subject to variations arising from the effect of other socio-economic factors and/or Cabinet directives.<br><br><b>Planned implementation date:</b> TBD based on | The Government agrees with this recommendation generally.<br><br>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.<br><br>A draft report on the issue is being prepared by a committee chaired by the Director of Lands and Survey. This report will be | <b>Government is considering this recommendation.</b><br><br>The PAC may find it helpful to have an update on actions to be taken as a result of the committee report and indicative timescales. | A committee was formed by the Director of Lands and Survey to consider this matter and a plan of action agreed. The consultation process is due to be finalised by January 2019 whereupon a draft report (for consideration by Minister/CO of EYSAL) will be prepared. | <b>Recommendation being implemented.</b><br><br>Note the Department of Lands and Survey is now part of MEYSAL.<br><br>The PAC may wish to follow up on progress with this recommendation after January 2019. |

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|    |  | Government directives.  | reviewed thoroughly and appropriate actions taken. |   |  |                    |
| 11 | The Government should comply with the Public Management and Finance Law and ensure it has authority for public expenditure. (OAG)  | Management agrees with this statement.<br><br><b>Planned implementation date:</b> Immediate.  | The Government agrees with this recommendation.    | <b>It is not clear whether any specific action has or will be taken to implement this recommendation.</b> |  | No further update. |
| 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. (OAG) | Management would not disagree with this aim as a general rule and as it relates to Ministry PLAHI. However, it cannot speak to Government policy or take responsibility for other Ministry's expenditure or that of other public entities.<br><br><b>Planned implementation</b> | The recommendation is accepted, generally.         | <b>It is not clear whether any specific action has or will be taken to implement this recommendation.</b> |  | No further update. |

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|    |  | <b>date:</b> No date given.  |  |   |  |  |
| 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. (OAG) | <p>This recommendation needs to be directed to Minister/Ministry of Finance.</p> <p>However, it should be noted that a Director of Procurement has recently been recruited and sits within the office of the Financial Secretary.</p> <p><b>Planned implementation date:</b> No date given</p> | <p>The Government agrees with this recommendation as a requirement under the PMFL.</p> <p>The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> | <p><b>Recommendation partly in progress.</b></p> <p>As far as we are aware the PSIC has not been established.</p> <p>The Procurement Law 2016 (December 2016) makes provisions for the establishment of a Central Procurement Office and a Public Procurement Committee. The Government established a Central Procurement Office in February 2015.</p> <p>The Law does not specifically mention alternative financing initiatives but does cover all procurement. The Law has not yet come in to force.</p> |  | <p><b>No progress.</b></p> <p>Note the responsibility for this recommendation was passed to the Ministry of Finance.</p> <p>As far as we are aware the PSIC has not been established.</p> <p>Neither has the Public Procurement Committee that is required by the <i>Procurement Law 2016</i> been set up.</p> |
| 14 | The Ministry of Finance should implement   | This recommendation  | The Government will review this  | <b>Recommendation in</b>  |  | <b>No progress.</b>  |

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|  | <p>policies and procedures to govern alternative financing initiatives. This responsibility should be considered when creating the Central Procurement Office as announced by government officials. (OAG)</p> | <p>needs to be directed to Minister/Ministry of Finance.</p> <p><b>Planned implementation date:</b> No date given.</p> | <p>recommendation in line with the PMFL. Review Committee recommendations accepted by Cabinet.</p> | <p><b>progress.</b></p> <p>As at end June 2017, Government reported that it will include guidance on alternative financing initiatives in the Public Finance Manual which will be finalised by the end of December 2017.</p> |  | <p>See response to recommendation 1 in Appendix 6. Parts 1 and 2 of the Public Finance manual have been issued. These do not include guidance on alternative financing initiatives. Parts 3 and 4 of the Public Finance Manual are now due to be completed by 31 January 2019.</p> <p>The PAC may wish to ask for confirmation that Parts 3 and 4 of the Public Finance Manual that are due to be completed in January 2019 will include policies and procedures on alternative financing initiatives.</p> |
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| 15 | The PAC notes with some disappointment that while management supported some of the recommendations of the Auditor General no timelines were identified for completing the implementation of the recommendations, TBD (to be determined) is not acceptable to the PAC as a definitive timeline for implementation. (PAC) | N/A |  | <b>A number of recommendations are in progress although no timescales for their completion have been provided.</b>   |  |  |
| 16 | The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC)  | N/A |  | <b>Not specifically addressed in response. Although the update states that some recommendations have already been implemented or are being progressed.</b> |  |  |

## APPENDIX 8 - COLLECTING GOVERNMENT REVENUES (SEPTEMBER 2015)

In July 2017, the OAG assessed the Government's progress with implementing the recommendations in *Collecting Government Revenues* (September 2015) as **Red** (limited progress). The Public Accounts Committee (PAC) took evidence from Mrs. Gloria McField-Nixon, Acting Deputy Governor and Ms. Anne Owens, Acting Financial Secretary and Chief Officer, Ministry of Finance and Economic Development on 16<sup>th</sup> August 2017. Prior to the meeting, Ms. Owens had provided a written submission providing a further update on progress with the recommendations.

The PAC produced a separate report on Follow Up on past PAC Recommendations (July 2017) with some additional recommendations, which is covered at Appendix 2 of this report.

**OAG comment:** The Ministry provided the OAG with an update on progress with all recommendations as at end of June 2018. Our assessment of the update shows that two recommendations have now been implemented; four recommendations are now in progress; and one has yet to start. We have therefore assessed progress as at July 2018 as **Amber** (some progress) as the implementation dates for some recommendations have been further rescheduled to dates in the future. This is an improvement since July 2017. The PAC may wish to obtain updates on progress on the outstanding recommendations after key dates have passed.

| Recommendation   | Original management response to OAG recommendation                                     | Government response (October 2016)  | OAG comment (July 2017)  | Government response (June 2018)   | OAG comment (September 2018)   |
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| 1. The Government should formalize policies and procedures to provide documented and consistent roles, | Management agrees with this recommendation.<br><br><b>Planned implementation date:</b> | The Government accepts this recommendation.<br><br>The Department will develop formal policy and procedures related | <b>The recommendation is in progress.</b><br><br>At end June 2017, Government has drafted a Revenue Concession Policy. | The Ministry of Finance and Economic Development is currently working to finalise a comprehensive | <b>Recommendation being implemented.</b><br><br>The concessions policy is still in draft format. The Government is now |

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| <p>responsibilities and accountabilities for all parts of the revenue waiver process, including a set of decision criteria on which to assess revenue waiver application, and a formalized records management process. (OAG)</p> | <p>31 December 2016.</p> | <p>to revenue waivers which provide 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 application, and a formalized records management process.</p> | <p>This was first discussed by Caucus in December 2016 and further changes were requested. Officials plan to take the revised policy to Caucus in July 2017 after which it will go to Cabinet for formal approval.</p> | <p>policy governing how the Cabinet will consider and award revenue waivers and concessions to potential developers/investors. The Policy seeks to ensure transparency, fairness and accountability in the award of such waivers and concessions.</p> <p>In developing the Policy a major challenge that has been identified are the difficulties Government Agencies have in accurately tracking and reporting the value of the waivers/concessions awarded. To address this deficiency the Ministry of Finance has been working with the affected Agencies to agree systems and business process</p> | <p>proposing that this will be sent to Caucus for consideration by 31 August 2018.</p> <p>The government originally intended to implement this recommendation by the end of 2016 and then committed last year to taking the draft policy to Caucus by July 2017.</p> <p>The PAC may wish to ask for an update on progress and to explore the reasons for delays in approving and implementing the revenue concessions policy.</p> |
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|  |  |  |  |  | <p>improvements necessary to achieve improved reporting. This is critical as it impacts the structure of the proposed policy as well as the possible outcomes to be achieved from implementing the policy. For example, the Customs Department is currently implementing enhancements to their IT systems which are expected to be in place by 1 January 2019.</p> <p>The Ministry of Finance is actively working with the Ministry of Commerce, Planning and Infrastructure to ensure that the Policy includes sufficient flexibility to allow the Cabinet to consider requests from different types of</p> |  |
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|    |   |   |   |   | <p>developers/investors.</p> <p>The revised timeframe for the draft policy to be submitted to the Caucus for its consideration is 31 August 2018.</p>  |   |
| 2. | <p>The Government should implement a formal risk management framework that includes the identification, assessment and prioritization of risks to revenue objectives. (OAG)</p> | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 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.</p> | <p>The Government accepts this recommendation.</p> <p>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.</p> | <p><b>As at end June 2017 no progress has been made.</b></p> <p>The Ministry of reports that to achieve this recommendation it needs to employ a non-civil servant to produce this framework as civil servants do not have the (extensive) time required to devote to this important task. The Ministry aims to reach a conclusion on this possibility by 31 July 2017.</p> | <p>On 4 July 2018, the Ministry of Finance and Economic Development finalized a business case for the procurement of consultancy services to assist with the development and implementation of:</p> <ul style="list-style-type: none"> <li>- a risk management framework to adequately assess and manage risks to achieve revenue objectives;</li> <li>- a control framework with appropriate</li> </ul> | <p><b>Recommendation being implemented.</b></p> <p>The anticipated implementation date is now 31 March 2019.</p> <p>The PAC may wish to ask for an update on progress with appointing a consultant to take forward this work.</p> |

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|  |  |  |  |  | <p>controls to ensure that all revenues are fully collected;</p> <ul style="list-style-type: none"> <li>- a performance reporting framework that includes objectives, goals, performance indicators and performance analysis for responsibilities relating to the collection of revenues; and</li> <li>- detailed policies and procedures for the effective management of PPPs or other alternative financing initiatives.</li> </ul> <p>The Ministry aims to complete the RFP and select the vendor by 30 September 2018 and have the frameworks</p> |  |
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|    |   |  |  |  | developed and implemented by 31 March 2019.   |  |
| 3. | <p>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. (OAG)</p> | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 31 March 2017.</p> | <p>The Government accepts this recommendation.</p> <p>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.</p> | <p><b>As at end June 2017 no progress has been made.</b></p> | <p>The Ministry of Finance and Economic Development was unable to secure sufficient funding in its 2018 Budget in order to procure the resources required to conduct the efficiency study. The Ministry anticipates that the scope of the efficiency study will be quite wide as it will have to assess each and every revenue collection point across the entire Government. As such, the Ministry anticipates that the cost of the study will be significant. The Ministry will seek to secure funds in its 2019 Budget with the intention of having the study procured</p> | <p><b>No progress.</b></p> <p>The Ministry expects to start addressing the recommendation in 2019.</p> |

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|    |  |  |   |  | and completed during the 2019 financial year. |   |
| 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. (OAG) | Management agrees with this recommendation. However, Management would like to note that the Customs Department receives reports from CUC on a monthly basis. These reports are compared with the declarations made by the fuel companies. Additionally, the fuel sold to CUC is stored in specifically assigned tanks for the sale to CUC ONLY. These tanks are monitored during the monthly dips confirming that the figures being declared are | The Government accepts this recommendation.<br><br>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 capacity necessary to implement effective measures to address revenue verification/completeness in the immediate future. | <b>As at end June 2017 no progress has been made.</b><br><br>The Ministry of Finance is of the view that to achieve this recommendation it needs to employ a non-civil servant to produce this framework as civil servants do not have the (extensive) time required to devote to this important task. The Ministry aims to reach a conclusion on this possibility <b>by 31 July 2017.</b> | See response to Recommendation 2.             | <b>Recommendation being implemented.</b><br><br>The anticipated implementation date is now 31 March 2019.<br><br>The action being taken is linked to recommendations 2 and 7. |



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|    |  | accurate.<br><br><b>Planned implementation date:</b><br>31 December 2016.                   |   |  |                             |   |
| 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. (OAG) | Management agrees with this recommendation.<br><br><b>Planned implementation date:</b> TBD. | The Government accepts this recommendation.<br><br>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. | <b>The recommendation is in progress.</b><br><br>The PAC may wish to ask for more information on the timescale for the review of the work permit fee structure and when this might be implemented. |                             | <b>Recommendation being implemented.</b><br><br>Not specifically followed up. Our understanding is that a review of work permit fees is being carried out in the creation of Workforce Opportunities and Residency Cayman (WORC). |
| 6. | Government should ensure that timely   | Currently the Ministry of Finance   | The Government is in compliance with  | <b>Recommendation in progress.</b>   | The Ministry of Finance and | <b>Recommendation</b>   |

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| <p>financial reports are provided to Cabinet and the Legislative Assembly and that more emphasis is placed on producing audited Entire Public Sector (EPS) consolidated financial statements to provide the necessary accountability required by the PMFL. (OAG)</p> | <p>provides monthly financial reports to the Minister of Finance and quarterly financial reports to the Cabinet within the agreed timelines. Additionally, the PMFL only requires the annual financial statements to be presented to the Legislative Assembly. EPS accounts have been submitted to the Auditor General’s within the statutory deadline for the past three fiscal years.</p> <p><b>Planned implementation date:</b> In compliance with Cabinet directives and PMFL.</p> | <p>Cabinet directives and PMFL.</p> <p>Currently the Ministry of Finance provides monthly financial reports to the Minister of Finance and quarterly financial reports to the Cabinet within the agreed timelines. Additionally, the PMFL only requires the annual financial statements to be presented to the Legislative Assembly.</p> <p>EPS accounts have been submitted to the Auditor General’s Office within the statutory deadline for the past three fiscal years.</p> | <p>The PMFL Amendments passed by the Legislative Assembly in March 2017 set out the requirement for quarterly financial reports to the Legislative Assembly. It is too early to assess the effectiveness of new reporting.</p> <p>The OAG agrees that the EPS has been submitted for audit to OAG on time. However, the timeliness of submissions of audited financial statements (EPS and individual entities) to the Legislative Assembly could be improved.</p> | <p>Economic Development currently provides monthly financial reports to Cabinet.</p> <p>In March 2017, the PMFL was amended to re-introduce un-audited quarterly financial statements for Core Government – commencing in the 2018 financial year. The un-audited quarterly financial statements are required to be published within six (6) weeks after the end of each of the first three quarters.</p> <p>The first un-audited financial statements for the Core Government for the three-month period ended 31 March 2018 were Gazetted on 11 May 2018 and Tabled in the Legislative Assembly on 27 June 2018.</p> <p>Honourable</p> | <p>implemented.</p> |
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|    |  |   |   |   | <p>Members of the Legislative Assembly were also sent copies of the un-audited financial statements by email on 11 May 2018.</p> <p>Entire Public Sector accounts have been submitted to the Office of the Auditor General, by the statutory deadline, for the past four fiscal years.</p> |  |
| 7. | <p>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. (OAG)</p> | <p>Management will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> <p><b>Planned implementation date:</b> Consideration will be given to the implementation along with the PMFL Review Committee</p> | <p>The Government will review this recommendation in line with the PMFL Review Committee recommendations accepted by Cabinet.</p> <p>Consideration will be given to the implementation along with the PMFL Review Committee recommendations which is currently proposed to be legislated by</p> | <p><b>As at end June 2017 no progress has been made.</b></p> <p>The Ministry of Finance and Economic Development informed us that the PMFL Review Committee made around 40 recommendations, most of which have been actioned. However, the Committee identified three significant</p> | <p>See response to Recommendation 2.</p>   | <p><b>Recommendation being implemented.</b></p> <p>The anticipated implementation date is now 31 March 2019.</p> <p>The action being taken is linked to recommendations 2 and 4.</p> |

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|  |  | <p>recommendations which is currently proposed to be legislated by 31 December 2016.</p> | <p>31 December 2016.</p> | <p>recommendations to change the budget setting process that were not taken forward in the PMFL amendments tabled in the LA in March 2017. These include moving away from an outputs based approach; eliminating differences between Executive and Entity; and simplifying budget documents. These changes would also require a new performance reporting framework to be established. A timeline for them to be reconsidered has yet to be determined but the Ministry believes that the earliest date that such a reporting framework can be researched and agreed is June 2018 and thereafter legislative changes would have to be made to the PMFL .</p> |  |  |
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| 8. | The PAC expects that the Government minute will show how the resources to complete the implementation of these recommendations, by the Auditor General, is being provided in the 2016-17 budget. (PAC) | N/A |  | This is not specifically addressed, although the response to recommendations 2 and 4 indicate that insufficient resources are available to implement them. |  | <p><b>Recommendation implemented.</b></p> <p>The Ministry response indicates whether resources are available in budget years to implement the recommendations.</p> |
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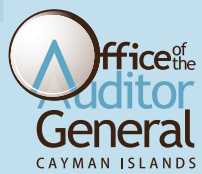
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