

## Follow-up on past PAC recommendations 2023 - Report 1





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# EXECUTIVE SUMMARY

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Section 77(7) of the Parliament Standing Orders (2018 Consolidation) requires the Cayman Islands Government to formally respond within three months of the Public Accounts Committee (PAC) laying an Auditor General report in the Parliament.

As part of the audit process, the Office of the Auditor General (OAG) routinely follows up on the implementation of the recommendations that we and the PAC have made as a result of audit reports and the PAC's hearings on these reports.

This report is one in a series of reports that the OAG is preparing to follow up on the recommendations made in PAC reports tabled since September 2018.

## UPDATE SINCE OUR SEPTEMBER 2022 REPORT

Our last update report was in September 2022. At that time, we reported that the Government was late in providing its formal responses to six PAC reports tabled between September 2018 and July 2021. The Government Minutes for these six PAC reports ranged between 11 and 45 months late; four responses were more than three years late. However, we also noted that the Cabinet had approved the Government Minutes for four of those reports in June 2022 and they had yet to be tabled in the Parliament.

We provide an update on PAC reports tabled and the status of Government Minutes since our last report below.

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## PAC REPORTS

The OAG published its report *Follow-up on past PAC Recommendations 2022 – Report 2* in February 2022, which provided an update on three previous reports. The PAC considered this report in February 2022 and held a witness hearing in May 2022. The PAC finalised its report in June 2022 and this was tabled in Parliament in December 2022. The Government Minute for this report is due in March 2023.

The PAC is currently preparing three reports based on OAG reports and PAC witness hearings.

The OAG published its report, *The Government's shift to online services*, in June 2022. The PAC considered this report and held a witness hearing in October 2022. The PAC plans to consider their report at the next PAC meeting in March 2023 and it will be tabled in due course.

The OAG published its report, *OAG General Report for 31 December 2021*, in September 2022. The PAC considered this report and held witness hearings in November 2022. The PAC is preparing its report, which will be tabled in due course.

The OAG published its report *Follow-up on past PAC Recommendations 2022 – Report 3* in September 2022, which provided an update on the previous reports. The PAC considered this report and held witness hearings in November 2022. The PAC plans to consider their report at the next PAC meeting in March 2023 and it will be tabled in due course.

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## GOVERNMENT MINUTES

The Government tabled the Government Minutes for the following three reports in October 2022:

- Report of the Office of the Auditor General on Segregated Insurance Fund (SIF) 2015/2016 accounts and Cayman Islands Monetary Authority (CIMA) 2015/2016 accounts.
- Report of the Office of the Auditor General on Follow-up of past PAC Recommendations (October 2018).
- Report of the Office of the Auditor General on Owen Roberts International Airport (ORIA) Terminal Redevelopment Project-Progress Update as at August 2018 (January 2019), Improving Financial Accountability and Transparency; Budgeting (December 2020) and OAG General Report 2019 (December 2020).

The Government Minutes for these reports were 46, 38, and 12 months late, respectively when they were tabled.

In June 2022, the PAC tabled its reports *OAG General Report for 31 December 2020 (December 2021)*, *Follow-up on past PAC Recommendations 2022-Report 1 (January 2022)* and *HSA Outpatients Pharmacy Services (November 2021)*. The Government Minutes for these reports were due in September 2022 and are now five months late.

Exhibit 1 summarises all PAC reports tabled since November 2018 where the Government Minutes are late as of the end of February 2023 or not yet due. It shows that, at the end of February 2023, the Government was late in tabling its formal response for five PAC reports and one is not yet due.

**Exhibit 1 – Public Accounts Committee reports tabled and status of the Government Minutes as of February 2022**

| <b>Report of the Standing Public Accounts Committee on the:</b>   | <b>Date tabled</b> | <b>Government Minute due</b> | <b>Government Minute tabled</b> | <b>Delay in tabling Government Minute</b> |
|---|--------------------|------------------------------|---------------------------------|---|
| <b>Report of the Office of the Auditor General on Follow-up on past PAC Recommendations 2022 – Report 2 (February 2022) (PA)</b>                        | 7 Dec 2022         | 7 Mar 2023                   | Not yet due                     |   |
| <b>General Report for 31 December 2020 (December 2021) (FA)</b>   | 9 Jun 2022         | 9 Sep 2022                   | Not yet tabled                  | 5 months late                             |
| <b>Report of the Office of the Auditor General on Follow-up on past PAC Recommendations 2022 – Report 1 (January 2022) (PA)</b>                         | 9 Jun 2022         | 9 Sep 2022                   | Not yet tabled                  | 5 months late                             |
| <b>Report of the Office of the Auditor General on HSA Outpatient Pharmacy services (November 2021) (PA)</b>   | 8 Jun 2022         | 8 Sep 2022                   | Not yet tabled                  | 5 months late                             |
| <b>Reports of the Office of the Auditor General on Efficiency and Effectiveness of The Utilities Regulation and Competition Office (June 2020) (PA)</b> | 12 Dec 2020        | 12 Mar 2021                  | Not yet tabled                  | 23 months late                            |
| <b>Information and Communications Technology Authority 2015/16 financial statements (FA)</b>  | 22 Nov 2018        | 22 Feb 2019                  | Not yet tabled                  | 47 months late                            |

One of the Government Minutes not yet tabled relates to the PAC report on Information and Communications Technology Authority (ICTA) 2015/16 financial statements. The ICTA was discontinued in 2017 to form the Utilities Regulation and Competition Office (URCO). The PAC made six recommendations in its report, three of which were directed to URCO, two directed to the Government and one which is no longer relevant since the discontinuance of Cayman 27. The Government Minute for this report is 47 months late.

We are not aware of any Government Minutes that have been approved by Cabinet to be tabled in Parliament since our last report.

## ABOUT THIS REPORT

This report provides an update on the Government's progress in implementing the 33 recommendations made in the following two PAC reports:

| <b><i>OAG report</i></b>  | <b><i>PAC report tabled</i></b> | <b><i>Government Minute tabled</i></b> | <b><i>Total recommendations</i></b> |
|---|---------------------------------|--|-------------------------------------|
| <b><i>Improving Financial Accountability and Transparency – Budgeting (December 2020)</i></b>                     | 15 Jul 2021                     | 7 Oct 2022                             | 17                                  |
| <b><i>Improving Financial Accountability and Transparency – Financial Management and Reporting (May 2021)</i></b> | 8 Dec 2021                      | 8 Jun 2022                             | 16                                  |
| <b>Total recommendations</b>  |                                 |  | <b>33</b>                           |

This report provides:



- A high-level assessment of each report, including a Red-Amber-Green (RAG) progress rating (Exhibit 2).
- An overall conclusion on the Government's progress in implementing the PAC recommendations (Exhibit 3).
- Detailed assessments of the Government's progress for each report (Appendices 1 and 2). Each appendix includes a summary of the PAC recommendations and the original OAG recommendations, the Government's response and planned implementation date to the original OAG recommendations, updated responses received in February 2023, and an OAG comment on the updates.

## HIGH-LEVEL ASSESSMENT OF REPORTS

Exhibit 2 below outlines our high-level assessments of the Government's progress with implementing the recommendations of the two reports covered in this follow-up.



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

| Report   | OAG comment   | OAG assessment<br>(February 2023)   |
|--|---|---|
| <b>Improving Financial Accountability and Transparency – Budgeting (December 2020)</b>                     | <p>The OAG report included 17 recommendations. The PAC endorsed all recommendations and made no further recommendations in its report. Thirteen of the recommendations were directed to the Government, two directed to the Ministry of Finance and Economic Development (MFED) and a further two directed to the Office of the Deputy Governor (ODG).</p> <p>16 recommendations were accepted and one was only partly accepted. Overall, we have assessed that only one recommendation has been implemented, some progress has been made with 14. There has been limited progress for two. Of the fourteen recommendations with some progress, implementation is in progress for four, action is planned but has not yet started for nine, and one has been partly implemented.</p> <p>Because, only one recommendation has been implemented and action is planned or in progress for a further 14, we have assessed overall progress as <b>Red</b> – Limited progress.</p> <p>See Appendix 1 for details.</p> |  <p>Limited progress</p>   |
| <b>Improving Financial Accountability and Transparency – Financial Management and Reporting (May 2021)</b> | <p>The OAG report included 16 recommendations. The PAC endorsed all recommendations and made no further recommendations in its report. Fourteen of the recommendations were directed to the Government, one directed to the Ministry of Finance and Economic Development (MFED) and one to the House of Parliament (Parliament).</p> <p>All but two of the 16 recommendations were accepted. Of the 14 recommendations accepted, we have assessed that only one recommendation has been implemented, some progress has been made with 11, and there has been limited progress for two. Of the 11 recommendations that have some progress, four have been partly implemented, implementation is in progress for three and action is planned but has not yet started for four.</p>  |  <p>Limited progress</p> |

| Report | OAG comment  | OAG assessment<br>(February 2023) |
|--------|--|-----------------------------------|
|        | <p>Because, only one recommendation has been implemented, there is some progress for 11 and limited progress for two, we have assessed overall progress as <b>Red</b> – Limited progress.</p> <p>See Appendix 2 for details.</p> |                                   |

*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.*

Our assessment of the 33 recommendations in these two reports shows that two (six per cent) of the recommendations were not accepted. Overall, two (six per cent) of the recommendations have been implemented. A further 25 (76 per cent) have some progress or action is planned to implement them and there has been limited or no progress with four (12 per cent) of the recommendations.

### Exhibit 3 – Summary of the implementation of recommendations

|   | Recommendations |             |                                    |                        | Total |
|---|-----------------|-------------|------------------------------------|------------------------|-------|
|   | Not accepted    | Implemented | Some progress or action is planned | Limited or no progress |       |
| Improving Financial Accountability and Transparency – Budgeting (December 2020)                     | -<br>0%         | 1<br>(6%)   | 14<br>(82%)                        | 2<br>(12%)             | 17    |
| Improving Financial Accountability and Transparency – Financial Management and Reporting (May 2021) | 2<br>(13%)      | 1<br>(6%)   | 11<br>(69%)                        | 2<br>(13%)             | 16    |
| Total   | 2<br>6%         | 2<br>(6%)   | 25<br>(76%)                        | 4<br>(12%)             | 33    |

The OAG will continue to follow up on the 25 recommendations that we have assessed as **Amber** (Some progress or action is planned) and the four recommendations that we have assessed as **Red** (Limited or no progress).

# CONCLUSION

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1. This report is the latest in a series following up on the Government's progress in implementing previous recommendations made by the Public Accounts Committee (PAC) and my Office.
2. In this report, I provide an update on the Government's progress with implementing the recommendations made in two PAC reports that relate to the Government's budgeting and financial management and reporting framework. Overall, only two (six per cent) of the 33 recommendations have been implemented. More than three quarters (25) of the recommendations are assessed as "amber"; for 13 (39 per cent) of these, the Government has actions planned but these have yet to start. The Government has made limited or no progress with the remaining four recommendations. This is disappointing, given that these recommendations were made more than 18 months ago, with some dating back to December 2020.
3. I have assessed the progress made on the *Improving Financial Accountability and Transparency – Budgeting (December 2020)* report as Red – limited progress because only one (6 per cent) recommendation has been implemented. The Government has made limited progress with two (12 per cent) recommendations, and most (14; 82 per cent) have some progress or there is an action plan to implement them. I also note that the implementation date for nearly half (seven) of the recommendations has been moved from March 2023 to February 2025, five years after the recommendations were made. While I acknowledge that some progress is being made, I am concerned about the long time it has taken, and will take, to fully implement these recommendations. I want to specifically highlight the following:
  - The Budget and Reporting Working Group "working group" was convened in 2018 to modernise the Government budgeting process. I acknowledge that the working group was placed on hold shortly after its introduction to wait for and accommodate further recommendations from the OAG. However, I note that it has only met four times since I published my reports in December 2020 and May 2021.
  - The Ministry of Finance started a new project to Modernise the Government's Budget and Reporting Framework and issued a Request for Proposals (RFP) for the Outline Business Case (OBC) in May 2022. Amongst other things, the OBC was expected to assess the gaps within the existing budgeting and reporting framework and suggest improvements. The planned execution date of the contract was August 2022. In September 2022, the Ministry of Finance signed a contract with the winning bidder. I understand that a draft OBC was produced by November 2022, and the Ministry aimed to obtain Cabinet approval of the OBC along with the preferred budgeting and reporting framework in February 2023.
  - In July 2022, the Government revised the implementation dates for most of my recommendations from March 2023 to February 2025. Phase two of the project is expected to

commence after MFED obtains Cabinet approval of the OBC. Phase two is now slated to be completed by December 2025.

4. The Government's progress with the recommendations in *Improving Financial Accountability and Transparency – Financial Management and Reporting (May 2021)* is similar. I have also assessed the Government's progress with this report as Red – Limited progress as, again, only one recommendation (six per cent) has been implemented. There has been limited or no progress with two (13 per cent) recommendations, and 11 (69 per cent) have some progress or there is an action plan to implement them. In addition, two recommendations (13 per cent), one directed to Parliament and another to the Government, were not accepted. Some critical recommendations in this report remain outstanding. For example:
  - The Government does not report the full value of the post retirement obligations, including pension and healthcare in the financial statements of the entire public sector. This omission amounts to significant non-compliance with the relevant accounting standards and ultimately the Public Management and Finance Act (PMFA). This contributes to the adverse opinion for the entire public sector financial statements and without remedy will mean that this position will not improve.
  - The Government is not yet accurately reporting its financial performance against the principles of financial management as required by the PMFA.
  - The Government has not made the anti-fraud training a mandatory annual requirement for all civil servants and all staff in statutory and government companies. Lack of this annual training makes employees ill-equipped to identify, detect and prevent fraud in the organisations they work.
  - The Government is not proactively disclosing information as required by its own policies, or making annual reports publicly available on websites after they have been tabled in the Parliament.
5. To further enhance the accountability process I recommended that the Parliament should update its Standing Orders to allow reports, including annual reports and financial statements, to be tabled throughout the year and not only when the Parliament has a meeting. I continue to be concerned that the lack of regular meetings of the Parliament contributes to the late tabling of annual reports, financial statements and Government Minutes, which hampers the accountability process.



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1 March 2023

## APPENDIX 1 – IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY – BUDGETING (DECEMBER 2020)

The Public Accounts Committee (PAC) held a hearing on 28<sup>th</sup> January 2021 and called the Financial Secretary and the Accountant General as witnesses to give evidence. The PAC did not make any recommendations but endorsed all of the OAG recommendations.

**OAG comment on the Government response:** The Government Minute was tabled in October 2022 and dated May 2022. The Government Minute provided updates on progress with the 17 recommendations made by the OAG in December 2020. Due to the time elapsed since the Government Minute in May 2022 (tabled in July 2022), the OAG obtained an update on progress from the Ministry of Finance and Economic Development (MFED), Portfolio of the Civil Service (PoCS) and the Office of the Deputy Governor (ODG) in February 2023.

The OAG made a total of 17 recommendations. Of the 17 recommendations, one has been implemented (six per cent), 14 (82 per cent) have some progress or action is planned, and there has been limited or no progress with two recommendations (12 per cent). We have therefore assessed the overall progress with implementing the recommendations as **Red** (Limited progress).

| Recommendation  | Management Response (December 2020)   | Response in Government Minute (July 2022)   | Government Update (February 2023)   | OAG comment (February 2023)   |
|---|---|---|---|---|
| 1. The Government should amend the budgeting framework to shift the focus to an outcomes-based approach. In doing this, it should ensure that:<br>a) The Government's Strategic Broad Outcomes and specific outcomes in | Management agrees with this recommendation and formed the Budget and Reporting Working Group (the "Working Group") in early 2018 for this reason. However, Management placed this Working Group on hold when OAG advised (shortly after the | The Ministry has revised the delivery date of Outcome Budgeting and the new target date to deliver this is 28 February 2025. Progress to date includes:<br>• The Steering Committee for Modernizing the Government's Budget and Reporting | On 9 September 2022, the Ministry of Finance & Economic Development signed a contract with the successful bidder, EY Cayman Ltd., to deliver a business case that assesses the gaps within the existing budgeting and reporting framework and which | <b>Action planned to implement the recommendation.</b><br><br>The timescale for the implementation of this recommendation has been revised to December 2025. This is almost three years later than originally |

| Recommendation  | Management Response<br>(December 2020)  | Response in Government<br>Minute (July 2022)   | Government Update<br>(February 2023)  | OAG comment<br>(February 2023)  |
|---|---|--|---|---|
| <p>the Strategic Policy Statement are clearly aligned.</p> <p>b) Specific outcomes in the Strategic Policy Statement are clearly focused on outcomes rather than activities, projects or outputs.</p> <p>c) Success measures for Strategic Broad Outcomes and specific outcomes are identified that allow for performance monitoring and reporting on their achievement.</p> <p>d) Public entities' strategic ownership goals clearly link with Government's Strategic Broad Outcomes and specific outcomes.</p> <p>e) Budgets clearly align with the Strategic Broad Outcomes and specific outcomes.</p> | <p>establishment of the Working Group) that an audit would be conducted on Budget and Reporting in early 2018 – as Management considered it to be a more efficient approach to await the receipt of any additional recommendations from the audit, as opposed to the Working Group reviewing an initial set of recommendations, then a further review some time later of any additional recommendations. Management will reconvene the Working Group to commence (in January 2021) its consideration of the recommendations contained in this Report. This means the Working Group will undertake the review of the recommendations in this Report with the knowledge that there may be</p> | <p>Framework has held four meetings so far this year (2022). Coming out of these meetings, an RFP (for the Outline Business Case) has been prepared and will be issued 31 May 2022 with a planned execution of the contract by 31 August 2022.</p> <ul style="list-style-type: none"> <li>It is envisaged that the reporting against agreed outputs and outcomes will be reinstated in the Public Management and Finance Act as part of a modernised Outcome Performance Budgeting and Reporting Framework.</li> </ul> | <p>focuses on evolving the budgeting and reporting framework so that</p> <p>(1) the focus is on the achievement of outcomes, where outcomes are clearly defined and monitored, and performance indicators and outputs are manageable and clearly linked to outcomes;</p> <p>(2) the budget documents are concise, clear and easy to understand; and (3) technology is used to enable a streamlined and efficient budget preparation process.</p> <p>The cost of the business case was KYD\$248,800.</p> <p>A draft copy of the business case was delivered to the Ministry on 29 November 2022.</p> <p>The Ministry is aiming to seek Cabinet's approval of</p> | <p>planned and five years after the recommendation was made.</p> <p>The OAG is aware that the (MFED) issued an RFP on 8 July 2022 for the modernisation of the Government's budgeting and reporting framework. The contract was awarded to EY in September 2022 to prepare an Outline Business Case (OBC) by 31 March 2023. We have reviewed the contract.</p> <p>We understand that an OBC has been prepared. This was due to be considered by Caucus in December 2022 but was delayed because of the sitting of Parliament in December 2022. MFED noted in its update that the OBC was due to go to Cabinet on 28<sup>th</sup> February 2023.</p> |



| Recommendation   | Management Response<br>(December 2020)  | Response in Government<br>Minute (July 2022)  | Government Update<br>(February 2023)  | OAG comment<br>(February 2023)                         |
|--|---|---|---|--|
| f) The Plan & Estimates clearly demonstrates to decision makers the subsidies to Statutory Authorities and Government Companies and budgets for demand-led services and how these will contribute to the Strategic Broad Outcomes. (OAG) | <p>additional recommendations in future from the two future reports that will be forthcoming.</p> <p>The Ministry of Finance has included specific plans to modernise the budget system as part of its Strategic Plan for 2021 to 2025.</p> <p><b>Planned implementation date:</b> March 2023</p> |   | <p>the business case, along with the preferred budgeting and reporting framework, by 28<sup>th</sup> February, 2023.</p> <p>Once the business case and the preferred budgeting and reporting framework are approved by Cabinet, the Ministry will proceed with Phase 2 of the project which will involve the procurement of consultancy services to assist with the implementation of the preferred budgeting and reporting framework.</p> <p>It is now anticipated that Phase 2 of this project will take place between 1 April 2023 and 31 December 2025.</p> | <b>The PAC may wish to follow up on this.</b>          |
| 2. The Government should amend the budgeting (and financial reporting) framework to remove the requirement to budget   | Amendments to the PMFL were drafted in August 2020 which partially address this change.   | Management has the legislative changes underway to merge the executive and entity accounting. | The Ministry of Finance and Economic and Development anticipates that there are going to be a number of amendments to the PMFA,   | <b>Action planned to implement the recommendation.</b> |

| Recommendation  | Management Response<br>(December 2020)         | Response in Government<br>Minute (July 2022)   | Government Update<br>(February 2023)   | OAG comment<br>(February 2023)  |
|---|--|--|--|---|
| and account for executive and entity transactions separately. (OAG) | <b>Planned implementation date:</b> March 2023 | <p>The Ministry has revised the delivery date of Outcome Budgeting and the new target date to deliver this is 28 February 2025. Progress to date includes:</p> <ul style="list-style-type: none"> <li>• The Steering Committee for Modernizing the Government’s Budget and Reporting Framework has held four meetings so far this year (2022). Coming out of these meetings, an RFP (for the Outline Business Case) has been prepared and will be issued 31 May 2022 with a planned execution of the contract by 31 August 2022.</li> <li>• The modernised Budget and Reporting frameworks would remove the requirement to budget and account for executive and entity transactions separately.</li> </ul> | <p>resulting from the modernization of the budgeting and reporting framework.</p> <p>As the modernization project is going to be an extensive and impacting project, the Ministry has made the decision to delay and include the proposed amendments to remove the distinction between executive and entity transactions with the amendments resulting from the modernization project.</p> <p>Amendments to the PMFA, will take place during Phase 2 of the modernization project. Phase 2 is scheduled to take place between 1 April 2023 and 31 December 2025.</p> | <p>As reported at recommendation 1, the timescale for completion of the project is December 2025.</p> <p>MFED has decided to delay and include the proposed amendments to remove the distinction between executive and entity transactions with the amendments resulting from the modernization project.</p> <p><b>The PAC may wish to follow up on this.</b></p> |



| Recommendation   | Management Response<br>(December 2020)  | Response in Government<br>Minute (July 2022)  | Government Update<br>(February 2023)  | OAG comment<br>(February 2023)   |
|--|---|---|---|--|
| <p>3. The Ministry of Finance and Economic Development should update and simplify the process for preparing and submitting budgets by:</p> <ul style="list-style-type: none"> <li>a) Amending the budget templates to ensure that information needs to be entered only once to reduce duplication of effort and the risk of errors.</li> <li>b) Issuing templates well in advance of the date budget submissions are due.</li> <li>c) Providing sufficient guidance and training on how to complete budget templates. (OAG)</li> </ul> | <p>Management agrees with this recommendation and formed the Budget and Reporting Working Group (the “Working Group”) in early 2018 for this reason. However, Management placed this Working Group on hold when OAG advised (shortly after the establishment of the Working Group) that an audit would be conducted on Budget and Reporting in early 2018 – as Management considered it to be a more efficient approach to await the receipt of any additional recommendations from the audit, as opposed to the Working Group reviewing an initial set of recommendations, then a further review some time later of any additional recommendations.</p> <p>Management will reconvene the Working</p> | <p>Management is working towards the March 2023 date. However, this is only a temporary measure as Management plans to replace the current manual budget process with a suitable accounting software that would meet the needs to the new framework being developed. This will improve the accuracy and efficiency of budget preparation.</p> | <p>Significant improvements to the budget process will be part of the ongoing budget modernisation. In the interim, the Ministry will be introducing smaller changes to improve the budget preparation efficiency:</p> <ul style="list-style-type: none"> <li>a) <ul style="list-style-type: none"> <li>i. Information entered manually into the costing templates for each department will use a Macro in Excel to pull this data into the Consolidation spreadsheet. This will eliminate the need to enter this information twice.</li> <li>ii. Financial Statements by Ministry will be removed from Budget Statements.</li> <li>iii. Ministries are working to reduce outputs to one</li> </ul> </li> </ul> | <p><b>Action planned to implement the recommendation.</b></p> <p>Based on the management response, full implementation of this recommendation is now targeted for December 2025.</p> <p>The OAG is aware that the RFP for the project to modernise the budgeting and financial reporting framework included an IT system. The IT system is included in phase 2 and is targeted for completion by December 2025.</p> <p>The OAG has not seen the costing template referred to by management and cannot therefore comment on it at this stage.</p> |

| Recommendation | Management Response<br>(December 2020)   | Response in Government<br>Minute (July 2022) | Government Update<br>(February 2023)  | OAG comment<br>(February 2023) |
|----------------|--|--|---|--------------------------------|
|                | <p>Group to commence (in January 2021) its consideration of the recommendations contained in this Report. This means the Working Group will undertake the review of the recommendations in this Report with the knowledge that there may be additional recommendations in future from the two future reports that will be forthcoming.</p> <p>The Ministry of Finance has included specific plans to modernise the budget system as part of its Strategic Plan for 2021 to 2025.</p> <p><b>Planned implementation date:</b> March 2023</p> |  | <p>output per department.</p> <p>b) Costing Templates have all been created for the 2024-2025 Budget. Access to these documents will be rolled out to CFOs by the end of February 2023.</p> <p>c) Guidance is provided for the completion of budget templates and one on one training is provided as requested.</p> |                                |

| Recommendation  | Management Response<br>(December 2020)   | Response in Government<br>Minute (July 2022)   | Government Update<br>(February 2023)     | OAG comment<br>(February 2023)   |
|---|--|--|--|--|
| <p>4. The Government should convene the Performance Budgeting and Reporting Working Group as soon as possible to start the review and simplification of the budget framework and process. In doing this, it should also:</p> <p>a) Widen its remit to cover all of the recommendations made in this report.</p> <p>b) Ensure that the Group is supported by an operational task force to carry out the work and provide proposals for consideration.</p> <p>c) Set out a plan for each of the areas to be covered to ensure that they are completed within a reasonable timescale and any inter-dependencies are adequately considered. (OAG)</p> | <p>Management agrees with this recommendation and formed the Budget and Reporting Working Group (the “Working Group”) in early 2018 for this reason. However, Management placed this Working Group on hold when OAG advised (shortly after the establishment of the Working Group) that an audit would be conducted on Budget and Reporting in early 2018 – as Management considered it to be a more efficient approach to await the receipt of any additional recommendations from the audit, as opposed to the Working Group reviewing an initial set of recommendations, then a further review some time later of any additional recommendations. Management will reconvene the Working Group to commence (in</p> | <p>The Ministry has revised the delivery date of the Modernised Budget Framework until 28 February 2025. Progress to date includes:</p> <ul style="list-style-type: none"> <li>• The Steering Committee for Modernizing the Government’s Budget and Reporting Framework (formerly Performance Budgeting and Reporting Working Group) has held four meetings so far this year (2022). Coming out of these meetings, an RFP (for the Outline Business Case) has been prepared and will be issued 31 May 2022 with a planned execution of the contract by 31 August 2022.</li> <li>• The Steering Committee plans to include all recommendations made in the OAG’s numerous reports. The RFP above seeks the assistance of a</li> </ul> | <p>See response to recommendation 1.</p> | <p><b>Action planned to implement the recommendation.</b></p> <p>See response to Recommendation 1.</p> <p>MFED now plans to implement this recommendation by December 2025. This is almost three years later than originally planned and five years after the recommendation was made.</p> |

| Recommendation  | Management Response<br>(December 2020)  | Response in Government<br>Minute (July 2022)   | Government Update<br>(February 2023)        | OAG comment<br>(February 2023) |
|---|---|--|---|--------------------------------|
|   | <p>January 2021) its consideration of the recommendations contained in this Report.</p> <p>This means the Working Group will undertake the review of the recommendations in this Report with the knowledge that there may be additional recommendations in future from the two future reports that will be forthcoming.</p> <p>The Ministry of Finance has included specific plans to modernise the budget system as part of its Strategic Plan for 2021 to 2025.</p> <p><b>Planned implementation date:</b> March 2023</p> | <p>consultant to carry out the modernisation process; part of that process will be to include all OAG recommendations.</p> |   |                                |
| 5. The Government should ensure that the final budgets that are | It has always been the practice of Management to  | The Ministry of Finance is finalising the signed 2022  | The final signed documents were received on | <b>Limited progress.</b>       |

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| <p>approved by the Parliament are made publicly available as soon as possible, and no more than month after approval to improve transparency. (OAG)</p> | <p>make the budget documents, as tabled on “Budget Day”, available to the public on the Government’s website on the very same day as the budget is tabled in the Legislative Assembly/Parliament.</p> <p>Going forward, the Ministry will ensure that the final budget, as approved by Parliament, is made publicly available as soon as possible after it has been approved by the Parliament.</p> <p>Planned implementation date: While it is already the practice to share the budget documents that are tabled on Budget Day, going forward the Ministry will ensure the final budget approved by Parliament is made publically available as soon as possible after</p> | <p>and 2023 Budget documents presently. The Ministry undertakes to ensure that, once approved, the budgets will be published within one month of the approvals.</p> | <p>4 May 2022. These documents were required to complete the budget documents. The books were then printed and bound on 18 May 2022.</p> <p>As a result of the above, the first possible time in which these documents could have been tabled was at the June 2022 Meeting.</p> <p>The Ministry of Finance notes that there were other pressing issues that resulted in these documents not being Tabled in a timely manner, however, the Ministry accepts that this process can be handled more efficiently in future by sending documents to Parliament as soon as they are finalised. This would ensure they are Tabled at the next possible Meeting.</p> | <p>The budget documents for 2022-2023 were tabled in the Parliament on 8 December 2022. This is one full year into the two-year budget, which continues to reduce transparency.</p> <p>MFED has stated that the budget documents were not ready until June 2022. Delays were caused by other pressing issues.</p> |

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|   | being approved by the Parliament.  |   |                                      |  |
| 6. The Government should reduce the number of output metrics in budget documents, specifically in entity Budget Statements and Statutory Authorities and Government Companies' Purchase Agreements. (OAG) | Management agrees with this recommendation and formed the Budget and Reporting Working Group (the "Working Group") in early 2018 for this reason. However, Management placed this Working Group on hold when OAG advised (shortly after the establishment of the Working Group) that an audit would be conducted on Budget and Reporting in early 2018 – as Management considered it to be a more efficient approach to await the receipt of any additional recommendations from the audit, as opposed to the Working Group reviewing an initial set of recommendations, then a further review some time | <p>The Ministry has revised the delivery date of the Modernised Budget Framework until 28 February 2025. Progress to date includes:</p> <ul style="list-style-type: none"> <li>The Steering Committee for Modernizing the Government's Budget and Reporting Framework (formerly Performance Budgeting and Reporting Working Group) has held four meetings so far this year (2022). Coming out of these meetings, an RFP (for the Outline Business Case) has been prepared and will be issued 31 May 2022 with a planned execution of the contract by 31 August 2022.</li> </ul> | See response to recommendation 1.    | <p><b>Action planned to implement the recommendation.</b></p> <p>See response to Recommendation 1.</p> <p>MFED now plans to implement this recommendation by December 2025. This is almost three years later than originally planned and five years after the recommendation was made.</p> |

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|                | <p>later of any additional recommendations.</p> <p>Management will reconvene the Working Group to commence (in January 2021) its consideration of the recommendations contained in this Report.</p> <p>This means the Working Group will undertake the review of the recommendations in this Report with the knowledge that there may be additional recommendations in future from the two future reports that will be forthcoming.</p> <p>The Ministry of Finance has included specific plans to modernise the budget system as part of its Strategic Plan for 2021 to 2025.</p> | <ul style="list-style-type: none"> <li>With the change to Outcome Budgeting and Reporting, it is envisaged that the budget documents will be substantially more condensed than their current form.</li> </ul> |                                      |                                |

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|   | <b>Planned implementation date:</b> March 2023.   |  |  |  |
| <p>7. The Government should reduce the volume of information in budget documents by:</p> <p>a) Removing the requirement for forecast financial statements in the Budget Statements and Ownership Agreements and limit this to high-level information that is essential for budget scrutiny and transparency.</p> <p>b) Presenting forecast financial statements differently in the Plan and Estimates to reduce the volume of pages and duplicated information. (OAG)</p> | <p>Management agrees with this recommendation and formed the Budget and Reporting Working Group (the “Working Group”) in early 2018 for this reason. However, Management placed this Working Group on hold when OAG advised (shortly after the establishment of the Working Group) that an audit would be conducted on Budget and Reporting in early 2018 – as Management considered it to be a more efficient approach to await the receipt of any additional recommendations from the audit, as opposed to the Working Group reviewing an initial set of recommendations, then a further review some time</p> | <p>The Ministry of Finance will be condensing all budget documents as part of Modernising the Budget and Reporting frameworks, which is currently underway. Condensing the Budget documents will include removing the financial statements in the Budget Statements and requiring only summarized financial statements from Ownership Agreements – complete removal of financials from Ownership Agreements is not practical as Cabinet must have knowledge of the impact/results of their approval. Additionally, the financial statements in the Plan and Estimates will be condensed in line with the recommendations made on pages 31 and 32 of the Auditor General’s Report</p> | <p>See response to recommendation 1.</p> | <p><b>Action planned to implement the recommendation.</b></p> <p>See response to Recommendation 1.</p> <p>MFED now plans to implement this recommendation by December 2025. This is almost three years later than originally planned and five years after the recommendation was made.</p> |



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|                | <p>later of any additional recommendations.</p> <p>Management will reconvene the Working Group to commence (in January 2021) its consideration of the recommendations contained in this Report.</p> <p>This means the Working Group will undertake the review of the recommendations in this Report with the knowledge that there may be additional recommendations in future from the two future reports that will be forthcoming.</p> <p>The Ministry of Finance has included specific plans to modernise the budget system as part of its Strategic Plan for 2021 to 2025.</p> | <p>“Improving Financial Accountability and Transparency”.</p> |                                      |                                |

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|  | <b>Planned implementation date:</b> March 2023.   |  |   |                                    |
| 8. The Government should ensure that inflation is factored into budget estimates for recurring operational expenditure and that this is made clear to budget preparers, users and decision-makers. (OAG) | <p>Management has always included inflation into budget estimates – See pages 4 to 13 of the 2020 Strategic Policy Statement. Users and decisions makers are advised of inflationary increases and inflation is factored into budget allocations. However, Government is still constrained to comply with the FFR and with ensuring value for money, so adjustments for inflation may not exactly match the inflation rate.</p> <p><b>Planned implementation date:</b> Currently in place (and has been done historically). Continuous improvement in communication is ongoing.</p> | <p>Management has always factored in inflation (and continues to do so) as a starting point for the budget preparation process. This starting point gives Ministries/Portfolios/Offices a baseline for budget preparation, and this is normally communicated to preparers, users and decision-makers as part of the Budget Circular.</p> <p>However, there are increases in expenditure, reprioritization and additional services being added beyond the baseline. With these movements to the budget, the overall affordability must be considered and Ministries/Portfolios/Offices must do their best to find savings and efficiencies in order to make the overall</p> | For the 2024-2025 Budget, the Government continues to factor in inflation in the initial allocations. However, with the constraints of FFR and the reality of affordability, the Ministry of Finance aims to ensure budgets are lean (to ensure value for money) while ensuring that budgets are reasonably flexible and agile. | <b>Implementation in progress.</b> |

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|  |   | budget compliant with the principles of responsible financial management.   |   |   |
| 9. The Government should develop a pay strategy that sets out if and when pay awards will be given and where appropriate these are factored into budget estimates. (OAG) | <p>The PoCS agrees that it is advisable to formalise CIG's pay strategy so as to set out when pay awards will be given.</p> <p>In practice, PoCS regularly monitors the cumulative impact of inflation and seeks the budgetary wherewithal to address the cumulative impact on CIG's salary scale early in the budgetary process. However, policy decisions on whether or not to approve such awards and the quantum of the award, are taken much later in the process and often with the mandate that such awards be self-financing.</p> <p>Whilst it is fully accepted that this is not the preferred approach, it is</p> | <p>The PoCS commissioned a Review of Pay and Reward practices which was temporarily paused in 2020 as a result of shifting priorities to respond to the global pandemic. Related work resumed in late 2020 and the Pay and Reward Review was completed in 2021. This work is now informing CIG's high-level pay and rewards strategy and operational plans over the medium term. The Review identifies three pillars of CIG's Pay and Reward philosophy; namely that CIG commits that pay practices will be transparent, fair and enabling of the Civil Service's mandate to deliver the Government's strategic priorities, continuously improve performance, and</p> | <p>As reported in July 2022, CIG implemented numerous pay awards, informed by economic data and HR budgetary performance.</p> <p>Early in 2022, the PoCS met with representatives from the ESO and the Ministry of Finance to devise strategies to respond to rising inflation as reported in ESO's Q1 2022 CPI report. The meeting reviewed historical CPI data dating back to 2000, as compared to CIG's pay awards over the same 21-year history. Notably, the Civil Service has largely kept pace with the accumulated rate of inflation as at 2021.</p> <p>A scan of other governments' response to employee pay was</p> | <p><b>Implementation in progress.</b></p> <p>Work to develop the pay strategy is ongoing.</p> <p>Plans to introduce Total Rewards Statements for all staff have been moved to Q3 of 2023.</p> |

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|                | <p>worth noting that on a global basis of CIG's total HR expenditures, recent years' pay awards have been tolerated without exceeding CIG's total approved HR budget. PoCS monitors HR expenditures on a per Ministry/Portfolio basis as well as overall to CIG.</p> <p>In 2020, this analysis was further expanded to specifically monitor the monthly impact of the last approved but unfunded 5% COLA awarded in January 2020. The results confirm that while the current practice does exceed the budgetary tolerance levels for small entities, the vast majority of Ministries/Portfolios can absorb the increase without exceeding their annual approved personnel budgets and the same is true for the core</p> | <p>realise its vision to become a World-Class Civil Service.</p> <p>In 2022, which is the first year of a 2-year budgetary period, the PoCS has reviewed economic forecasts and CIG's early fiscal performance. Within this context, the PoCS has formulated pay proposals for 2022-2023 which are informed by economic forecasts and are compliant with CIG's existing 2022-23 approved global HR Budget for the core civil service. These pay proposals address consolidated basic pay increases (e.g. Cost of Living Adjustments and Pay Progression) and variable pay such as one-off honorariums.</p> <p>Additionally, as recommended in the review, the PoCS will introduce Total Reward Statements for each staff member that provides</p> | <p>discussed as was the fact that like Cayman, most were similarly challenged in 2022 to devise specific pay proposals in response to unforeseen spikes triggered by the Ukraine war and prolonged COVID disruptions. Also, the team assessed affordability options for funding 2022 pay awards within the already approved 2022-2023 HR Budget. In the end, PoCS proposed and CIG accepted to implement three separate pay initiatives with distinct features designed to</p> <ul style="list-style-type: none"> <li>(i) address the rising cost of living,</li> <li>(ii) facilitate pay progression for persons on grades E and below where the workforce is largely paid below the midpoint on the respective salary grades, and (iii)</li> </ul> |                                |

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|                | <p>civil service personnel budgets on a whole.</p> <p>PoCS will seek to formalise its pay strategy to ensure this outcome continues when, during more lean times, CI&amp;G may not carry the same volume of funded vacancies which currently offset pay award decisions taken too late in the budgetary process to be incorporated into individual Ministry/Portfolio annual estimates.</p> <p>Planned implementation date: December 2021</p> | <p>greater transparency of the total value of working within the Civil Service, including the monetary value of passive benefits such as health insurance.</p> <p>The work to produce a 2-year pay proposal, will be replicated in 2023, in order to recommend pay proposal as part of the 2024 and 2025 budget process.</p> | <p>gradually reduce the extent of salary grades overlap in the pay scale, starting with reserving the lowest pay point on grades E and below, for the hiring of newly qualified talent.</p> <p>Following are the details of the 2022 payments:</p> <ol style="list-style-type: none"> <li>1. Three honorariums, were paid in June, July and August, totalling \$450, to offset higher electricity costs linked to sharp increases in fuel prices over the summer months. This honorarium was paid at a flat rate for employees on Grades E and below, thereby offering greatest relative benefit to</li> </ol> |                                |

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|                |  |  | <p>persons on the lower salary grades;</p> <p>2. A 2% Cost of Living Adjustment, paid in September 2022 and applicable to all employees aimed at offsetting inflation and preserving relative purchasing powers; and</p> <p>3. A 1-pt within salary grade increment (valued at 2.5%), was paid in December 2022 to employees on salary grades E and below. For a very small percentage of employees who were already at the top of their individual pay grade, an honorarium of \$700- or six-months' value of the 2.5% increment (whichever was</p> |                                |

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|                |  |  | <p>greater) was paid as a one-off lump sum.</p> <p>The 2022 Employee Engagement Survey confirmed the positive impact on employee morale following these pay awards as reflected by a 1% increase in overall Engagement (73%) and a 3% increase in the 'Pay and Benefits' category (41%), which has steadily increased by a total of 12% since launching the survey in 2017.</p> <p>Work to document / formalise the CIG's pay strategy is continuing in 2023, as confirmed in the July 2022 update to the OAG. The PoCS has already developed components of the pay policy such as CIG's Pay Philosophy &amp; Guiding Principles and Job Evaluation Methodology. In active development is the</p> |                                |

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|                |  |  | <p>policy to formalise the mechanism and timing for Cost of Living Adjustments aligned to the 2024/25 budgetary process. Additionally, we have expanded the mandate and resources of the Job Evaluation's team to include responsibility for Pay and Reward.</p> <p>In 2022, the DG's annual message to the Civil Service incorporated data showing the value proposition of civil service employment and updates on pay policy priorities have been incorporated into a number of online DG Town Hall meetings with the civil service.</p> <p>PoCS aims to deliver Total Reward Statements (TRS) in Q3, 2023.</p> |                                |



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| 10. The Government should improve its budget estimates for recurring operational expenditure by factoring in macro-economic forecasts that may affect planned service delivery levels, and the effects of new laws and regulations. It should state clearly in the budget documents what factors have been used in their preparation, including any requirement for efficiency savings to be made. (OAG) | <p>The Government operates on a decentralised budget and financial management system, which allows each Ministry to budget independently to meet their individual needs. Each Ministry puts their proposed budgets forward in the Strategic Phase of the budget. This would take into account any budget changes expected from new laws and regulations.</p> <p>The current framework provides macro-economic forecasts through the Strategic Policy Statement and these forecasts are incorporated into each Ministry's budget allocation.</p> <p><b>Planned implementation date:</b> Currently in place (and has been done historically). Continuous improvement is ongoing.</p> | As noted above, Government continues with this practice. | <p>The Ministry of Finance has done the following:</p> <ol style="list-style-type: none"> <li>1) Required monthly reporting from all Ministries/Portfolios/Offices (MPO) to be included in the Monthly Financial Report to Cabinet, with explanations for variances from budget.</li> <li>2) Included a summary of all MPO monthly Operating Expenditures in the Monthly Financial Report to Cabinet.</li> <li>3) Included a detailed report by MPO of expenditure by category (e.g. Personnel Costs, Supplies and Consumables, etc.).</li> <li>4) In the latter part of 2022, the Ministry of Finance went out directly to CFOs and required explanations for variances from budget and forecasts to the end of 2022.</li> </ol> <p>This more detailed level of monitoring is aimed at</p> | <b>Implementation in progress.</b> |

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|   |   |   | reducing variances between budget and actual expenses and will flow into the 2024-2025 budget process.  |  |
| 11. The Ministry of Finance and Economic Development should ensure that the unit costs of similar outputs are costed consistently and core government entities should be able to explain any significant variances. (OAG) | <p>The Government operates on a decentralised budget and financial management system, which allows each Ministry to budget independently to meet their individual needs. Individual Ministries may have unique costs which result in varying unit costs despite similar descriptions. However, with the planned transition to Outcome reporting this issue will be addressed.</p> <p><b>Planned implementation date:</b> March 2023</p> | <p>Similar outputs are currently costed consistently as it relates to the costing process; however, given the diversity of the subject areas and responsibilities of the various Ministries/Portfolios/Offices, there is no guarantee that actual cost of an output will be in line with another Ministry/Portfolio/Office. To ensure this recommendation is addressed in the Modernised Budget process, management will consider this as part of the review.</p> | <p>See response in recommendation 1.</p> <p>This will shift to outcome reporting and away from output focused reporting.</p> <p>However, the original response remains, in that each entity is unique as are their inputs based on their area of specialization. This will in most cases result in varying unit costs despite similar descriptions.</p> | <p><b>Action planned to implement the recommendation.</b></p> <p>MFED stated in the Government Minute that this recommendation will be considered as part of the Modernising the Budgeting and Financial Reporting project. The project is expected to be completed by December 2025. This is almost three years later than originally planned and five years after the recommendation was made.</p> |
| 12. The Government should ensure that estimates of coercive revenues are regularly reviewed and updated, as appropriate,  | Management regularly reviews and updates revenue but we remain conservative in our forecasts. As a result of a  | Currently in place. The Revenue Manager reviews and updates coercive revenue on a quarterly basis at a minimum, and at other  | Currently in place as per Government Minute (July 2022)   | <b>Recommendation implemented.</b>   |

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| based on up-to-date information. (OAG)  | <p>few large (compared to CIGs total budgeted revenue) transactions (generally one-off in nature) in recent years, revenue estimates have varied significantly from actuals. However, Management is in agreement that estimates can be improved.</p> <p><b>Planned implementation date:</b> Currently in place and continuous improvements ongoing.</p> | times on an as needed basis for budgets and supplemental budgets.  |  |  |
| 13. The Government should ensure that all 'exceptional circumstances' approvals by Cabinet clearly satisfy the PMFA definition. (OAG) | <p>In December 2016, Ministry of Finance proposed legislative changes to the definition of 'Exceptional Circumstances' to ensure it could only be used for truly exceptional circumstances. However, these changes were not approved. This issue will be raised with the Budget and</p>   | <p>The Government has implemented this recommendation. As demonstrated by the recent Finance Committee, the current Government will be utilizing Section 12 of the PMFA to seek additional funding when needed. This means exceptional circumstances (Section 11(5) of the PMFA) will be</p> | <p>The Ministry of Finance and Economic Development continues to request Ministries, Portfolios and Offices to demonstrate in Cabinet Papers how requests for supplementary funding under Section 11(5) of the PMFA meets the definition of an exceptional circumstance.</p> | <p><b>Implementation in progress.</b></p> <p>The OAG's most recent General Report for the 2021 financial year (October 2022) reported that there continued to instances of s11(5) being used where there were no exceptional circumstances that warranted such</p> |

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|                | <p>Reporting Working Group to determine the best approach to address this recommendation.</p> <p><b>Planned implementation date:</b> March 2023</p> | reserved for truly exceptional circumstances. | <p>The Ministry also continues to ensure that all Cabinet Papers include the recommendation of an appointment of a Member of Cabinet to “make a statement during the next sitting of the Parliament regarding the exceptional circumstance appropriation change which includes how this exceptional circumstance complies with the definition of the term “exceptional circumstance”, the type and amount of the executive financial transactions authorised and the effect on the compliance with the principles of responsible financial management.”</p> <p>In the end, the authorization to approve supplementary funding as an exceptional circumstance lies solely with Cabinet.</p> | <p>authorisation (para 90 on page 27).</p> <p>MFED stated that it had pushed back on several requests to use s11(5), referring to OAG recommendations, that they need to demonstrate how it meets ‘exceptional’ circumstances.</p> <p>The original OAG recommendation did not comment on supplementary appropriations made under s12 of the PMFA. However, in the Government Minute, MFED stated that the Government will mostly use s12 of the Act to seek additional funding rather than s11(5).</p> <p>The OAG reported in the General Report for 2021 that the Auditor General had included an emphasis</p> |

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|                |  |  |                                      | <p>of matter paragraph in her audit opinion for some 2021 financial statements because supplementary appropriations made under s12 were not tabled in Parliament by the statutory deadline of 31 March 2022.</p> <p>We noted that the supplementary appropriations for the 2020 and 2021 financial years were tabled in Parliament on 15 December 2022; 21 and nine months late, respectively.</p> <p>At the PAC hearing on 24 November 2022, MFED stated that they expect that all future supplementary appropriations will be tabled in Parliament by the statutory deadline.</p> |

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| 14. The Government should ensure that the Parliament is informed about all budget changes that Cabinet has approved due to exceptional circumstances at the next sitting of the Parliament. (OAG) | <p>In 2019, Ministry of Finance introduced specific wording in the Recommendation section of all Cabinet Papers seeking Section 11(5) funding (i.e. funding for exceptional circumstances). This wording committed the relevant Minister to making a statement at the next sitting of the Legislative Assembly.</p> <p><b>Implementation date:</b><br/>Introduced in mid-2019</p> | This recommendation has been implemented.    | <p>The Ministry of Finance and Economic Development continues to ensure that all Cabinet Papers include the recommendation of an appointment of a Member of Cabinet to “make a statement during the next sitting of the Parliament regarding the exceptional circumstance appropriation change which includes how this exceptional circumstance complies with the definition of the term “exceptional circumstance”, the type and amount of the executive financial transactions authorised and the effect on the compliance with the principles of responsible financial management.”</p> <p>In the end, the authorization to approve supplementary funding as an exceptional circumstance lies solely with Cabinet.</p> | <p><b>Implementation in progress.</b></p> <p>See response to Recommendation 13 above.</p> |

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| 15. The Deputy Governor should discuss with the Parliament the introduction of a formal timetable of regular, scheduled meetings that includes dedicated time for scrutiny of original budgets and changes to these. (OAG)                                      | <p>Management agrees in principle with this recommendation, but notes that this is a decision that rests with the Parliament. The Deputy Governor will discuss this with the Premier after the General Election in May 2021.</p> <p><b>Planned implementation date:</b> Next Administration, post the General Elections in May 2021.</p> | This recommendation has been implemented. The Deputy Governor has forwarded the recommendation to the Honourable Premier and the Honourable Speaker of the House in February 2022, for their attention and consideration, as this matter falls under the remit of the independent Parliament and not the Executive. | This recommendation has been implemented, by way of the Deputy Governor's notification to Parliament of the OAG's recommendation. The newly-appointed Speaker of the House has now been similarly apprised.   | <p><b>Recommendation partly implemented.</b></p> <p>The OAG understands that this recommendation was forwarded to Parliament for their consideration. We are not aware of any meetings that have been scheduled or held to scrutinise budgets and any related changes.</p> <p>It is not clear if the recommendation has been accepted by Parliament.</p> |
| 16. The Government should reduce the number of output groups and appropriation line items to allow more in-year virement of budgets and ensure that only those budget changes that relate to key government priorities go to the Parliament for approval. (OAG) | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> March 2023 (to impact the 2024-2025 Budgets)</p>   | Management is on target to deliver this in line with the above implementation date. Furthermore, Management will ensure this is carried through to the modernised budget process.   | <p>The modernization of the budgeting and reporting framework will:</p> <p>(1) the focus is on the achievement of outcomes, where outcomes are clearly defined and monitored, and performance indicators and outputs are manageable and clearly linked to outcomes;</p> | <p><b>Action planned to implement the recommendation.</b></p> <p>See response to Recommendation 1.</p> <p>The date for implementation has moved to December 2025. This is almost three years</p>   |

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|   |  |   | <p>(2) the budget documents are concise, clear and easy to understand; and</p> <p>(3) technology is used to enable a streamlined and efficient budget preparation process.</p> <p>As a result, it is anticipated that the reduction in the number of output groups and appropriation line items will be reduced along with the reporting of budget changes to Parliament.</p> | later than originally planned and five years after the recommendation was made.   |
| 17. The Deputy Governor should discuss with the Parliament arrangements for ensuring that the Supplementary Appropriations Bill is introduced in the Parliament in a timely manner, and at the latest within three months after the financial year end as | <p>Management accepts this recommendation as it promotes transparency and accountability and will always endeavour to abide with the 31 March deadline.</p> <p>Nonetheless, circumstances may arise, which make it difficult for</p> | This recommendation has been implemented. The Deputy Governor has forwarded the recommendation to the Honourable Premier and the Honourable Speaker of the House in February 2022, for their attention and consideration, as this matter falls under the remit of the | This recommendation has been implemented, by way of the Deputy Governor's notification to Parliament of the OAG's recommendation. The newly-appointed Speaker of the House has now been similarly apprised.   | <p><b>Limited progress.</b></p> <p>The OAG understands that this recommendation was forwarded to Parliament for their consideration.</p> <p>However, the OAG notes that this issue continued to exist for the 2021 financial audits. This resulted in the issuance of emphasis of</p> |



| Recommendation                    | Management Response<br>(December 2020)  | Response in Government<br>Minute (July 2022)  | Government Update<br>(February 2023) | OAG comment<br>(February 2023)                          |
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| required by legislation.<br>(OAG) | <p>Government to comply with this requirement. The Deputy Governor undertakes to discuss this recommendation with the Premier after the General Election in May 2021.</p> <p><b>Planned implementation date:</b> Next Administration, post the General Elections in May 2021.</p> | independent Parliament and not the Executive. |                                      | matter paragraphs for 13 public bodies' audit opinions. |

## APPENDIX 2 – IMPROVING FINANCIAL ACCOUNTABILITY AND TRANSPARENCY – FINANCIAL MANAGEMENT AND REPORTING (MAY 2021)

The Public Accounts Committee (PAC) held a hearing on 9<sup>th</sup> June 2021 and called the Financial Secretary and the Accountant General as witnesses to give evidence. The PAC did not make any recommendation but endorsed all of the OAG recommendations.

**OAG comment on the Government response:** The Government Minute was dated February 2022 and tabled in June 2022. The Government Minute provided updates on progress with the 16 recommendations made by the OAG in May 2021. Due to the time elapsed since the Government Minute, the OAG obtained an update on progress from the MFED, PoCS and the ODG in February 2023.

The OAG made a total of 16 recommendations. Of the 16 recommendations, two (13 per cent) were not accepted. Of the remaining 14, one has been implemented (six per cent). A further 11 (69 per cent) have some progress, or action is planned to implement them; action to implement four recommendations has not started. There has been limited or no progress with two recommendations (13 per cent). We have therefore assessed the overall progress with implementing the recommendations as Red (Limited progress).

| Recommendation   | Management response (May 2021)   | Response in Government Minute (June 2022)   | Government update (February 2023)  | OAG comment (February 2023)   |
|--|--|---|--|---|
| 1. The Government should ensure that the internal control policy is fully implemented as soon as possible with a view to including full Statements of Responsibility for Internal Control in | Management agrees with this recommendation.<br><br><b>Planned implementation date:</b><br>30 December 2022 | It is planned that the Public Management and Finance Act (PMFA) will be amended to include a requirement for a full Statement of Responsibility for Internal Control, within financial statements, by the end of 2022. This statement will be required for all financial statements for the year ending 31 December 2022. A | The Ministry of Finance provided Chief Financial Officers with updated wording for the Statement of Responsibility that includes full responsibility for Internal Control in the 2022 Financial Statements, in compliance with the PMFA Schedule 4 Para 3(b)(ii). The Public Finance Manual (page 22) has also been updated to include this new wording in the | <b>Recommendation implemented.</b><br><br>We have inspected the updated Statement of Responsibility and confirm that it has been updated.<br><br>We have inspected the Public Finance Manual and confirm that the wording has been updated. However, we are |

| Recommendation  | Management response (May 2021)   | Response in Government Minute (June 2022)   | Government update (February 2023)  | OAG comment (February 2023)   |
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| the 2022 financial statements. (OAG)  |  | review of proposed amendments to the PMFA is currently underway.  | template for the Statement of Responsibility.  | unclear if the revised Public Finance Manual has been made available to all finance staff.  |
| 2. The Government should ensure that the new governance and financial management frameworks, including risk management and performance management, are implemented as soon as possible. (OAG) | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b><br/>1 January 2024</p> | <p>Modernising the Budgeting and Reporting Frameworks has been prioritised in 2022. The Committee tasked with updating the Budget and Reporting Frameworks has already held two meetings in 2022.</p> <p>The Committee has approved the preparation and issuance of an RFP for the development of the Business Case for Modernising the Budgeting and Reporting Frameworks. It is anticipated that a successful consultant will be in place by 31 August 2022. This consultant will develop the Project Plan for modernizing the Budget and Reporting Frameworks.</p> | <p>On 9 September 2022, the Ministry of Finance &amp; Economic Development signed a contract with the successful bidder, EY Cayman Ltd., to deliver a business case that assesses the gaps within the existing budgeting and reporting framework and which focuses on evolving the budgeting and reporting framework so that:</p> <p>(1) the focus is on the achievement of outcomes, where outcomes are clearly defined and monitored, and performance indicators and outputs are manageable and clearly linked to outcomes;</p> <p>(2) the budget documents are concise, clear and easy to understand; and</p> | <p><b>Action planned to implement the recommendation.</b></p> <p>The timescale for the implementation of this recommendation has been revised to December 2025.</p> <p>The OAG is aware that MFED issued an RFP on 8 July 2022 for the modernisation of the Government's budgeting and reporting framework. The contract was awarded to EY in September 2022 to prepare an Outline Business Case (OBC) by 31 March 2023.</p> <p>We were told that an OBC had been prepared and MFED had planned to update Caucus in December 2022. However, this update was delayed because of the Parliament sitting in December 2022.</p> |

| Recommendation | Management response (May 2021) | Response in Government Minute (June 2022) | Government update (February 2023)   | OAG comment (February 2023)   |
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|                |                                |   | <p>(3) technology is used to enable a streamlined and efficient budget preparation process.</p> <p>The cost of the business case was KYD\$248,800.</p> <p>A draft copy of the business case was delivered to the Ministry on 29 November 2022.</p> <p>The Ministry is aiming to seek Cabinet's approval of the business case, along with the preferred budgeting and reporting framework, by 28<sup>th</sup> February 2023.</p> <p>Once the business case and the preferred budgeting and reporting framework are approved by Cabinet, the Ministry will proceed with Phase 2 of the project which will involve the procurement of consultancy services to assist with the implementation of the preferred budgeting and reporting framework.</p> | <p>MFED told us that it was aiming to obtain Cabinet approval of the OBC on 28<sup>th</sup> February 2023.</p> <p>We note that the management response does not address the risk management framework. It is not clear if the modernised budget framework will address this.</p> <p><b>The PAC may wish to follow up on this.</b></p> |

| Recommendation   | Management response (May 2021)  | Response in Government Minute (June 2022)   | Government update (February 2023)   | OAG comment (February 2023)   |
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|  |   |   | It is now anticipated that Phase 2 of this project will take place between 1 April 2023 and 31 December 2025.   |   |
| 3. The Government should estimate the cost of fully implementing section 47 of the <i>Public Authorities Act</i> (PAA) and ensure that sufficient funding is provided to statutory authorities and government companies in their future budgets. (OAG) | <p>Management agrees with this recommendation and will continue the practice of providing SAGCs and Ministries with an Implementation Calculator which estimates the cost of adhering to the approved Salary Scale. The Ministries and SAGCs will have this data in time for the upcoming 2022/23 Budgetary process.</p> <p><b>Planned implementation date:</b> Ongoing</p> | <p><u>Update from POCS</u><br/>This recommendation has been accepted and fully implemented.</p> <p>Beginning in April 2020, despite the onset of the COVID-19 pandemic, PoCS successfully developed and deployed version 1 of the “PAA Costing Template”, a semi-automated Excel tool that allowed 16 SAGCs to easily populate salary information and determine the minimum cost of adopting the job evaluation results received from PoCS as part of the implementation of s. 47 of the PAA. Along with the roll-out of the Template, was the dissemination of comprehensive instructions for use.</p> | This has been fully implemented, as all calculations have been long completed, budgets have been adjusted (where necessary) and approved, and public servants (i.e. SAGC employees) have been paid in line with the established / adopted salary scale. | <p><b>Recommendation partly implemented.</b></p> <p>The costing template referred to in the response relates to section 47(1) of the Act only. It does not cover section 47(3).</p> <p>The OAG’s most recent General Report on the 2021 financial statements (October 2022) commented on this and included a similar recommendation.</p> <p>Based on the Financial Secretary (FS) and the Chief Officer (CO) of PoCS responses given at the PAC meeting on 24 November 2022, the evaluation of salaries as required by PAA s47(1) has been completed by all SAGCs (including NRA). The FS noted that the Government has not</p> |

| Recommendation | Management response (May 2021) | Response in Government Minute (June 2022)  | Government update (February 2023) | OAG comment (February 2023)   |
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|                |                                | <p>In June 2021, an additional seven SAGCs, including the HSA, received version 2 of the Costing Template, which allowed said entities to make the appropriate calculations.</p> <p>In total, 23 of the 24 SAGCs received the PAA Costing Template (note that the NRA did not participate in the project).</p> <p>Included in the information sent to SAGCs were customized letters containing the following instruction: “The deadline for the submission of all feedback on job evaluation results is 18th June 2021, in order to allow your agency to complete preparations for the upcoming annual budget process.”</p> <p>As can be seen, PoCS was clear in instructing SAGCs to complete the process in time to allow for 2022/23 budgeting.</p> |                                   | <p>done a formal or detailed assessment of the cost of implementing PAA s47.</p> <p>The FS added that there was no specific budget line item in 2022-23 for PAA s47 and some SAGCs had requested cabinet approval for supplementary budgets. He also stated that he would check how many had requested and been approved by the Cabinet and come back to the PAC with an update.</p> <p>The OAG is aware that the Supplementary Appropriation bills for 2020 and 2021 were tabled on 15 December 2022. However, we have not yet seen the bills so cannot confirm if they include any supplementary appropriations relating to PAA s47.</p> <p><b>The PAC may wish to ask for an update.</b></p> |

| Recommendation  | Management response (May 2021)  | Response in Government Minute (June 2022)   | Government update (February 2023)  | OAG comment (February 2023)   |
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| 4. The Ministry of Finance and Economic Development should develop and implement an action plan to improve the quality of the entire public sector consolidated financial statements. The action plan should set out a roadmap for moving to a qualified audit opinion in the first instance and an unqualified audit opinion in the longer term. (OAG) | <p>Management agrees with this recommendation and has plans to do so.</p> <p><b>Planned implementation date:</b> Plan to be developed by 30 June 2022</p> | <p>Management plans to formalize the action plan by 30 June 2022.</p> <p>A Draft Action Plan has been prepared by the Ministry of Finance and Economic Development. Engagement of stakeholders/accountable parties is currently underway to further detail action points and agree timeline and deliverables.</p> | <p>As the Post-Retirement Healthcare benefit is so significant, this would need to be addressed before EPS is able to obtain a Qualified opinion. The current Administration has not changed the stance on recognizing this on the face of the Financial Statements.</p> | <p><b>Implementation in progress.</b></p> <p>The OAG's most recent General Report on the 2021 financial statements (October 2022) repeated this recommendation.</p> <p>MFED completed the action plan in June 2022 and provided the OAG with a copy of the action plan in October 2022.</p> <p>Based on our review of MFED's Entire Public Sector (EPS) Audit Corrective Action Plan we noted the following:</p> <p>The plan does not specifically address the following qualification issues that were raised in the 2018 and 2019 audit opinions:</p> <ul style="list-style-type: none"> <li>• Pervasive inaccuracies arising from subsequent adjustments in subsidiaries, elimination</li> </ul> |

| Recommendation | Management response<br>(May 2021) | Response in Government Minute (June 2022) | Government update<br>(February 2023) | OAG comment<br>(February 2023)   |
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|                |                                   |   |                                      | <p>on consolidation and opening balances.</p> <ul style="list-style-type: none"> <li>• Misstatements on the statement of the cashflows.</li> <li>• Misstatements in personnel costs due to the understatements of the post-retirement health care and pension liabilities.</li> <li>• Inaccuracy of depreciation and amortization expenses.</li> <li>• Understatement of personnel costs.</li> <li>• Inaccuracy of net-worth.</li> </ul> <p>MFED has noted that these qualifications points arise from the qualification points contained in the Action Plan. Therefore, carrying out the Action Plan should address these.</p> <p>The Plan provides dates for the completion of individual audit qualification issues. These dates range from</p> |



| Recommendation    | Management response (May 2021) | Response in Government Minute (June 2022)               | Government update (February 2023)                    | OAG comment (February 2023)  |
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|                   |                                |   |  | <p>April 2022 to June 2023, except for the understatement of retirement benefit liabilities, which is stated as 'unknown'. However, it does not provide indicative dates on:</p> <ul style="list-style-type: none"> <li>• When the EPS will achieve a qualified opinion.</li> <li>• When the EPS will achieve an unqualified opinion.</li> </ul> <p>The OAG notes that it will not be possible for the EPS to move to qualified opinion without addressing the points relating to:</p> <ul style="list-style-type: none"> <li>• Retirement benefit liabilities</li> <li>• Property, Plant &amp; Equipment.</li> </ul> <p><b>The PAC may wish to ask for an update.</b></p> |
| 5. The Government | Management agrees with this    | The Ministry is on target to deliver this for the above | The project to modernize the budgeting and reporting | <b>Action planned to implement the recommendation.</b>   |

| Recommendation   | Management response (May 2021)  | Response in Government Minute (June 2022)  | Government update (February 2023)   | OAG comment (February 2023)  |
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| should ensure that all annual reports provide an assessment of performance against the outputs and outcomes that are agreed in budget documents, including an explanation for any variances. (OAG) | <p>recommendation. This will be addressed by the Reporting and Budget Working Group in developing the new framework.</p> <p><b>Planned implementation date:</b> 28 February 2025.</p> | <p>implementation date. Progress to date includes:</p> <ul style="list-style-type: none"> <li>The Steering Committee for Modernizing the Government's Budget and Reporting Framework has held four meetings so far this year (2022). Coming out of these meetings, an RFP (for the Outline Business Case) has been prepared and will be issued 31st May 2022 with a planned execution of the contract by 31 August 2022.</li> <li>It is envisaged that the reporting against agreed outputs and outcomes will be reinstated in the Public Management and Finance Act as part of a modernised Outcome Performance Budgeting and Reporting Framework.</li> </ul> | <p>frameworks involves the improvement of reporting performance against outputs and outcomes as agreed in budget documents.</p> <p>It is anticipated that improved performance indicators will be evident in the new 2026/2027 outcome-based budget documents – which have a statutory deadline of 31 December 2025 to be tabled in Parliament.</p> <p>From therefore on, annual reports will provide assessments of performance against the outputs and outcomes, as agreed in the new 2026/2027 outcome-based budget documents.</p> | <p>The OAG's most recent General Report on the 2021 financial statements (October 2022) repeated this recommendation.</p> <p>MFED has indicated that annual reports will provide assessments of performance against the outputs and outcomes agreed in the new 2026/2027 outcome-based budget documents.</p> |
| 6. The Government should require   | As we operate in a decentralised system, this is done at the Ministry   | This requirement is already in place. Evidence of delivered outputs are required to be submitted to respective   | Please see previous response in recommendation 5.   | <b>Recommendation partly implemented.</b>  |

| Recommendation   | Management response<br>(May 2021)  | Response in Government Minute (June 2022)  | Government update<br>(February 2023)   | OAG comment<br>(February 2023)   |
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| each entity to submit evidence for the actual delivery of outputs, compared with targets agreed in budget documents, to support the disbursement of funds. (OAG) | level. Each Chief Financial Officer submits evidence along with their monthly billing to the Chief Officer (CO). CO then submits to Minister affirming that outputs have been delivered.<br><br><b>Planned implementation date:</b> Not Applicable – Already in place. | Ministers and Official Members of Cabinet for their sign-off/approval of “Cabinet billings” which, are forwarded to the Treasury Department for disbursement of funds to individual Ministries’/Portfolios’/Offices’ bank accounts. Examples of evidence include employee timesheets, MS Excel tracking sheets or copies of tangible deliverables. |  | We are aware from our financial audits that some entities continue to bill output revenue based on an equal amounts per month or quarter regardless of the actual outputs delivered. |
| 7. The Government should ensure that annual reports and financial statements are tabled in the Parliament and  | Management agrees with this recommendation and included this as an area of improvement in the 5-Year Strategic Plan.   | The Ministry of Finance and Economic Development continues to seek the assistance of Chief Officers to ensure that all outstanding annual reports are Tabled in Parliament in a timely manner.   | The Ministry of Finance and Economic Development continues to seek the assistance of Chief Officers to ensure that all outstanding annual reports are Tabled in Parliament in a timely manner.<br><br>The Ministry of Finance and Economic Development | <b>Implementation in progress.</b><br><br>The OAG’s most recent General Report on the 2021 financial statements (October 2022) repeated this recommendation.                         |

| Recommendation   | Management response<br>(May 2021)            | Response in Government Minute (June 2022)   | Government update (February 2023)  | OAG comment (February 2023)  |
|--|--|---|--|--|
| made publicly available as soon as possible after the audit has been completed to improve transparency and accountability. (OAG) | <b>Planned implementation date:</b> May 2022 | <p>The Ministry of Finance and Economic Development continues to remind Chief Officers of their responsibility under Sections 44 and 52 of the Public Management and Finance Act, to Table Annual Reports which are under their responsibility, in a timely manner. In recent times, reminders were sent on 13 June 2019 and 21 January 2020. Reminders will be sent in February, March, April and May 2022 for outstanding Annual Reports to be Tabled during the upcoming Meeting of Parliament.</p> <p>The significance of May 2022 is that the audits on the Annual Reports and Financial Statements for the 2021 Financial Year are required by statute to be completed by 30 April 2022. Reminders were sent out on 17 February 2022 and additional reminders will be sent out in March, April and May of 2022 as these</p> | <p>continues to remind Chief Officers of their responsibility under Sections 44 and 52 of the Public Management and Finance Act, to Table Annual Reports which are under their responsibility, in a timely manner and to publish the annual reports on their respective websites.</p> <p>In recent times, reminders were sent on 17 February 2022, 23 May 2022 and 3 January 2023. The Ministry intends to send reminders through 2023, especially prior to upcoming Meetings of Parliament.</p> | <p>We have reviewed all Annual Reports tabled in Parliament as at 31 December 2022. This shows that for the:</p> <ul style="list-style-type: none"> <li>• For 2020 audits, 33 annual reports have been tabled.</li> <li>• For 2021 audits, 25 annual reports have been tabled.</li> </ul> <p>We have also reviewed the websites of the various entities and noted the following:</p> <ul style="list-style-type: none"> <li>• For 2020 audits, 15 out of 33 annual reports have been published.</li> <li>• For 2021 audits, only seven out of 25 annual reports have been published.</li> </ul> <p>We note that the tabling of annual reports is improving. However, entities are not always publishing these on their websites, which continues to reduce transparency.</p> |

| Recommendation  | Management response (May 2021)  | Response in Government Minute (June 2022)  | Government update (February 2023)  | OAG comment (February 2023)  |
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|   |   | Reports must go through Cabinet in advance of the May 2022 date in order to be Tabled in Parliament by May 2022 – the first month possible.  |  | The PAC may wish to ask for an update.   |
| 8. The Parliament should update its Standing Orders to allow reports, including annual reports and financial statements, to be tabled throughout the year and not only when the Parliament has a meeting. (OAG) | This recommendation falls under the remit of the independent Parliament and not the Executive.<br><br><b>Planned implementation date:</b> N/A | This recommendation is not accepted, as it falls under the remit of the independent Parliament and not the Executive. However, the Deputy Governor forwarded the recommendation to the Honourable Premier and the Honourable Speaker of the House in February 2022, for their consideration. |  | <b>It is not clear if the recommendation has been accepted.</b>  |
| 9. The Government should use quarterly reports to better inform decision making, including  | Management agrees with this recommendation.   | The Ministry is improving Quarterly Reporting and forecasting. Both will be used to improve budgeting.   | Changes introduced to Quarterly reporting in 2022 will be used to assist budgeting and planning for the 2024-2025 Budget cycle, which is the first | <b>Implementation in progress.</b><br><br>The Government has improved the quarterly reports. Since Q1 2022 these reports have included a summary of foregone |

| Recommendation  | Management response<br>(May 2021)              | Response in Government Minute (June 2022)  | Government update<br>(February 2023)  | OAG comment<br>(February 2023)  |
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| supplementary appropriations and revisions to future budgets. (OAG) | <b>Planned implementation date:</b> March 2023 | The Ministry currently publishes financial information for Core Government for the first, second and third quarter of each financial year as well as supplementary budgets at least once per financial year. It is intended that a monthly reforecast of the current and next budget year will be presented to Cabinet for review. Forecast templates have been designed and are currently being tested. A review of actual and past performance should always remain a factor in proper budgeting together with a review of any new, enhanced, discontinued or substituted programmes. A monthly reforecast on an ongoing basis should prompt this interrogative behaviour and result in more reliable budgeting. | <p>budget cycle since the changes were introduced.</p> <p>The Ministry of Finance has done the following:</p> <ol style="list-style-type: none"> <li>1) Required monthly reporting from all Ministries/Portfolios/Of fices (MPO) to be included in the Monthly Financial Report to Cabinet, with explanations for variances from budget.</li> <li>2) Included a summary of all MPO monthly Operating Expenditures in the Monthly Financial Report to Cabinet.</li> <li>3) Included a detailed report by MPO of expenditure by category (e.g. Personnel Costs, Supplies and Consumables, etc.).</li> <li>4) In the latter part of 2022, the Ministry of</li> </ol> | <p>revenues and a summary of capital projects underway or expected to commence over the next 5 years.</p> <p>However, it is unclear how these are being used to inform budgeting decisions.</p> |

| Recommendation   | Management response<br>(May 2021)  | Response in Government Minute (June 2022)  | Government update<br>(February 2023)  | OAG comment<br>(February 2023)  |
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|  |  |  | <p>Finance went out directly to CFOs and required explanations for variances from budget and forecasts to the end of 2022.</p> <p>5) 5-year Capital Projects Schedule will be used by CFOs and the Ministry of Finance to assist with preparing the Strategic Policy Statement and Budget.</p> <p>This more detailed level of monitoring is aimed at reducing variances between budget and actual expenses and will flow into the 2024-2025 budget process.</p> |   |
| 10. The Government should ensure that all entities publish their annual reports, including financial | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> May 2022</p> | The MFED (MFED) continues to remind Chief Officers of their responsibility under Sections 44 and 52 of the PMFA, to Table Annual Reports, in Parliament, which are under their responsibility, in a timely manner. In recent | The Ministry of Finance and Economic Development continues to seek the assistance of Chief Officers to ensure that all outstanding annual reports are Tabled in Parliament in a timely manner.  | <p><b>Limited progress.</b></p> <p>We have reviewed the websites of the various entities and noted the following:</p> |

| Recommendation   | Management response (May 2021) | Response in Government Minute (June 2022)   | Government update (February 2023)  | OAG comment (February 2023)   |
|--|--------------------------------|---|--|---|
| statements, on their websites as soon as possible after they have been tabled in the Parliament. (OAG) |                                | <p>times, reminders were sent on 13 June 2019 and 21 January 2020. Most recently, a reminder was sent out on 17 February and additional reminders will be sent in March, April and May 2022 for outstanding Annual Reports to be Tabled during the upcoming Meeting of Parliament.</p> <p>The review of Annual Reports with respect to the 2021 Financial Year and, the audit of its Financial Statements components are legally required to be completed – by the Auditor General’s Office - by 30 April 2022. Annual Reports are to be presented to Cabinet by 31 May 2022 and thereafter, Tabled in Parliament at its next Sitting. The MFED will send out reminders every month until May 2022 (i.e. February, March, April and May).</p> | <p>The Ministry of Finance and Economic Development continues to remind Chief Officers of their responsibility under Sections 44 and 52 of the Public Management and Finance Act, to Table Annual Reports which are under their responsibility, in a timely manner and to publish the annual reports on their respective websites.</p> <p>In recent times, reminders were sent on 17 February 2022, 23 May 2022 and 3 January 2023.</p> <p>The Ministry intends to send reminders through 2023, especially prior to upcoming Meetings of Parliament.</p> | <ul style="list-style-type: none"> <li>For 2020 audits, 15 out of 33 annual reports have been published.</li> <li>For 2021 audits, only seven out of 25 annual reports have been published.</li> </ul> <p>We note that entities are not always publishing these on their websites, which continues to reduce transparency.</p> <p><b>The PAC may wish to follow up on this.</b></p> |



| Recommendation   | Management response<br>(May 2021)  | Response in Government Minute (June 2022)  | Government update<br>(February 2023) | OAG comment<br>(February 2023)  |
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|  |  | <p>The Office of the Auditor General currently monitors the status of Tabling of Annual Reports.</p> <p>Section 83 of the PMFA requires Chief Officers to post Annual Reports on a Government website. MFED, in its planned reminders stated above, will inform Chief Officers of the legal requirement to post Annual Reports to Government websites once, the Annual Reports have been Tabled in Parliament.</p> |                                      |   |
| 11. The Government should ensure that all entities regularly proactively disclose information on travel and related expenses, and on gifts and | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> August 2021 (delayed implementation given the high volumes of system</p> | <p>The Deputy Governor addressed the matter of the resumption of normal proactive disclosures with Chief Officers in February, 2022.</p> <p>In line with the CIG Official Travel Policy, Chief Officers have been directed to oversee and ensure the publication of Travel Declarations for the</p>  | <i>No response given.</i>            | <p><b>Recommendation partly implemented.</b></p> <p>We have reviewed the websites of the various entity websites and noted the following:</p> <p>For 2020, out of the 16 core government entity websites inspected, only seven have</p> |

| Recommendation  | Management response<br>(May 2021)           | Response in Government Minute (June 2022)  | Government update<br>(February 2023) | OAG comment<br>(February 2023)   |
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| hospitality, including 'nil returns', as set out in its policies. (OAG) | changes which occur following an election). | <p>2020/2021 financial year, by the end of July, 2022, and on an annual basis, thereafter, within 3 months of the end of the financial year to which the declaration pertains. These Travel Declarations are to be published on Ministry/Portfolio websites.</p> <p>It should be noted, however, that as per Personal Circular 2 of 2020- Restriction of Discretionary Travel, all discretionary official overseas travel, meaning travel that is not business-critical, has been postponed or cancelled since 3 March, 2020.</p> <p>In line with the Personnel Circular 4 of 2017, 'Offering or Receiving, Hospitality, Entertainment or Gifts', Chief Officers have also been directed to oversee and ensure the preparation of "Hospitality Registers" within their Ministry/Portfolio and associated Departments, by</p> |                                      | <p>disclosed travel and related expenses for all key management personnel. Two have disclosed hospitality and gifts received by key management personnel and five have disclosed their credit card expenses.</p> <p>For 2021, out of the 23 core government entity websites inspected, only nine have disclosed travel and related expenses for all key management personnel. Four have disclosed hospitality and gifts received by key management personnel and 11 have disclosed their credit card expenses.</p> <p>For 2022, out of the 23 core government entity websites inspected, only seven have disclosed travel and related expenses for all key management personnel. Two have disclosed hospitality and gifts received by key management personnel and</p> |

| Recommendation   | Management response<br>(May 2021)   | Response in Government Minute (June 2022)  | Government update<br>(February 2023)  | OAG comment<br>(February 2023)   |
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|  |   | <p>August 2022 for the 2021 financial year, and annually, thereafter, within 3 months of the end of the financial year to which the Register pertains. As required, the Registers are to cover all hospitality, entertainment or gifts with a notional or residual value over \$100 offered or received.</p> <p>Where applicable, “Nil Returns” are to be recorded and reported.</p> |   | <p>eight have disclosed their credit card expenses.</p> <p><b>The PAC may wish to follow up on this.</b></p>   |
| 12. The Government should ensure that information on the award of contracts is published on relevant websites within the timescales specified in the Procurement | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> 31 January 2022</p> | <p><u>Response from the CPO:</u></p> <p>The responsibility to publish information related to contract awards rests with Chief Officers and Chief Executive Officers of SAGCs.</p> <p>By way of support, the Director of Procurement met with Chief Officers in March 2021, advised them of this responsibility and provided</p>  | <p><u>Response from the Central Procurement Office (CPO):</u></p> <p>The CPO has a responsibility for monitoring compliance with the procurement Act and Regulations. Our monitoring shows that there is a ‘good’ level of compliance for reporting contracts above \$100k. Compliance for reporting the results of procurement below \$100k is ‘poor’.</p> | <p><b>Recommendation partly Implemented.</b></p> <p>From our inspection of the Bonfire website, award information is published on the website.</p> <p>The Central Procurement Office (CPO) has indicated good level of compliance reporting contract above \$100k. However, CPO has also</p> |

| Recommendation  | Management response<br>(May 2021)  | Response in Government Minute (June 2022)  | Government update<br>(February 2023)   | OAG comment<br>(February 2023)  |
|---|--|--|--|---|
| Regulations.<br>(OAG)   |  | <p>them with a template on how this could be satisfied. COs were also reminded that the obligations in the laws and regulations also apply to Statutory Authorities and Government Companies and they were requested to facilitate completion of the templates with the CEOs of SAGC that reside within their Ministries.</p> <p>The Director also offered the support of the Central Procurement Office to publish this information on behalf of each Ministry/SAGC on the CIG's procurement website.</p> | <p><u>Response from the Deputy Governor:</u></p> <p>Based on this report, the Deputy Governor will follow up with Chief Officers to investigate and identify a way forward to address these matters, in the shortest timeframe possible.</p> | <p>noted the non-compliance for results under \$100k.</p> <p>The Deputy Governor has noted that he will follow up with Chief Officers to resolve the non-compliance.</p> <p><b>The PAC may wish to ask for an update.</b></p> |
| 13. The Government should amend the <i>Standards in Public Life Act</i> to require notice of interest forms to cover the entire | The proposal to amend the reporting period to align it with the financial year will need to be considered by the | This matter was discussed by the Commission for Standards in Public Life (CSPL) in their meeting on 26th January 2022. The proposed revision was agreed in principle by the CSPL and will be   |  | <p><b>Recommendation has not been accepted.</b></p> <p>The OAG's most recent General Report on the 2021 financial statements</p>  |

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| financial year and should ensure that relevant information from these can be retained and used by public bodies to manage any potential conflicts of interest. (OAG)            | recently appointed Commission for the Standards in Public Life.<br><br><b>Planned implementation date:</b> To be determined once discussed with newly appointed Commission. | communicated to the AG's Chambers for their final agreement of all legislative changes.<br><br>However, the Commissions Secretariat wished to point out that Recommendation 13 referred to 'notice of interest' forms, which can differ from one public service entity to another. The CSPL only governs declarations to the 'Register of Interests'.    |   | (October 2022) repeated this recommendation.<br><br>In evidence to the PAC hearing on 24 November 2022, the Acting Deputy Governor stated that in further discussions with the Commission for Standards in Public Life it had been decided that this recommendation would not be implemented.<br><br><b>The PAC may wish to follow up on this.</b> |
| 14. The Government should make anti-fraud training a mandatory annual requirement for all civil servants and all staff in statutory authorities and government companies. (OAG) | Management agrees with this recommendation.<br><br><b>Planned implementation date:</b> January 2022   | MFED has developed a comprehensive Anti-Fraud Policy, which is available on the Government's Intranet, and has been extended to Statutory Authorities and Government Companies by Cabinet approval.<br><br>In the past, there has been good take up of training on the anti-fraud policy that was provided online through the Civil Service College. The | This training has seen a slight delay due to technical difficulties as it relates to the training material. However, this training is expected to come online in the first quarter of 2023. | <b>Action planned to implement the recommendation.</b><br><br><b>The PAC may wish to ask for an update.</b>  |

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|  |  | POCS has been consulted and has committed to making available anti-fraud courses that can be used as annual refresher courses for civil servants, by July 2022.   |   |  |
| <p>15. To clearly demonstrate compliance with the Public Management and Finance Act, including requirements of the Framework for Fiscal Responsibility, the Government should:</p> <p>a) Report interim performance against the principles of financial management , using unaudited</p> | <p>Performance against the principles of financial management are normally included in the EPS Annual Report.</p> <p>Management will endeavour to include interim performance using unaudited annual results at the end of the financial year.</p> <p><b>Planned implementation date:</b> January 2022</p> | <p>Interim compliance with measurable elements of the Framework of Fiscal Responsibility (FFR) will be published as part of the Core Government 1st Quarter Report for 2022, in May 2022. It should be noted that some requirements mandate 12 months of data for FFR compliance and cannot be reliably measured for compliance.</p> <p>Compliance with FFR is normally included in the Annual Report for the Entire Public Sector. It should be noted that the audit of 2019 EPS Annual Report is currently being finalised and the 2020 Financial Statements will be the next possible set in which</p> | <p>Quarterly reporting on FFR ratios will begin in the first quarter of 2023 and it will be presented on a year-to-date basis</p> | <p><b>Action planned to implement the recommendation.</b></p> <p>The OAG has reviewed the unaudited quarterly finance report for Q1 and Q3 2022. However, as indicated in the MFED response in June 2022, this does not report on interim compliance with the principles of responsible financial management prescribed in the Framework for Fiscal Responsibility in the PMFA. We have also reviewed subsequent quarterly reports. They do not include this information.</p> <p>MFED has indicated that quarterly reporting on FFR ratios will begin in the first</p> |

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| <p>financial information, when it announces the unaudited results for the financial year.</p> <p>b) Report performance against the principles in its annual report for the entire public sector, ensuring that figures have been updated to reflect the audited financial statements for the entire public sector.</p> |                                   | <p>to comply with this recommendation.</p> <p>Any non-compliance is noted and fully explained in the EPS Annual Report.</p> |                                      | <p>quarter of 2023 and it will be presented on a year-to-date basis.</p> <p>We can confirm that the Government has added a new note (Note 25) to the draft 2021 financial statements for the Entire Public Sector. The note reports unaudited actual performance against the principles for 2021 versus approved budget performance. However, it does not provide any explanations for non-compliance.</p> <p>MFED has not yet submitted the EPS Annual Report for 2020 and 2021 to the OAG.</p> <p><b>The PAC may wish to ask for an update.</b></p> |

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| c) Provide explanations for any non-compliance. (OAG)  |   |   |  |   |
| 16. The Government should report the full value of the post-retirement obligations, including pension and healthcare, in the financial statements of the entire public sector. (OAG) | <p>Management agrees with this recommendation.</p> <p><b>Planned implementation date:</b> July 2022</p> | The inclusion of the full value of post-retirement pension obligations are included in the financial statements of the Entire Public Sector. Post-retirement healthcare obligations are included in the notes of the financial statements only. This continues to the policy of the current Government. | The June 2022 response remains unchanged at this time. | <p><b>No progress.</b></p> <p>MFED has noted that the Post-Retirement Healthcare benefit is so significant and this would need to be addressed before EPS is able to obtain a Qualified opinion. The current Administration has not changed the stance on recognizing this on the face of the Financial Statements.</p> |



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## **Complaints**

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**March 2023**