

FINANCIAL REPORTING OF THE CAYMAN ISLANDS
GOVERNMENT





**To help the public
service spend wisely**

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GLOSSARY

Audit opinion	<p>The overall conclusion of the Auditor General on the financial statements (in common with an independent auditor governed by International Standards on Auditing). It can be one of four different types that distinguish the level of reliance readers can place on them:</p> <ul style="list-style-type: none">• Clean or unqualified opinion (technical term: unmodified) – The information contained within the financial statements can be relied upon.• Qualified – A portion of the financial statements cannot be relied upon, but the reader can rely on the rest of the statements.• Adverse – There are such significant deficiencies in the information in the financial statements that they should be considered unreliable for the user, and the information contained therein is not trustworthy.• Disclaimer – The auditor was not provided with sufficient information to conduct an audit (in essence, this is not an opinion).
Core government	<p>Ministries, portfolios and independent offices of the Cayman Islands Government. Ministries, portfolios and independent offices are referred to as <i>core government entities</i>.</p>
Emphasis of Matter paragraph	<p>A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements</p>
Entire public sector (EPS)	<p>The core government and all statutory authorities and government companies (SAGCs).</p>
Executive transactions	<p>Financial transactions that are under the direct legal responsibility of Ministers, being administered by core government entities on their behalf (in contrast with entity transactions, which are under the direct legal responsibility of the heads of public entities, e.g. Chief Officers or Chief Executive Officers). These include coercive revenues, transfer payments, executive assets and debts (and the related financing expenses). Examples of executive assets are infrastructure, heritage assets and other assets that are generally for the welfare of the entire country, in contrast with assets for the specific use of public entities to deliver their services (such as a hospital building). Other kinds of executive transactions are defined separately.</p>
Other Matter paragraph	<p>A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.</p>

Public bodies

Any one of the entities responsible for separate financial accountability and reporting in the Cayman Islands Government, i.e. a ministry, portfolio, independent office, statutory authority or government company.

**Statutory
Authorities and
Government
Companies (SAGCs)**

Any one of the entities owned by Government that are not in core government. Statutory authorities have been created by specific laws (e.g., the Water Authority was created under the *Water Authority Law*), while government companies have been organised under the *Companies Law* (i.e., similar to any company operating and present in the Cayman Islands, such as the Cayman Islands Stock Exchange Ltd.)

LIST OF ABBREVIATIONS

AOA - Auditors Oversight Authority	MEYSAL - Ministry of Education, Youth, Sports, Agriculture and Lands
CAA - Civil Aviation Authority	MFED - Ministry of Finance and Economic Development
CAL - Cayman Airways Limited	MFSHA - Ministry of Financial Services and Home Affairs
CAYS - Children & Youth Services Foundation	MHECH - Ministry of Health, Environment, Culture and Housing
CIAA - Cayman Islands Airports Authority	MEBC - Ministry of Employment and Border Control
CIDB - Cayman Islands Development Bank	MITIAMA - Ministry of International Trade, Investments, Aviation and Maritime Affairs
CIMA - Cayman Islands Monetary Authority	NDC - National Drug Council
CINICO - Cayman Islands National Insurance Company	NGCI - National Gallery of the Cayman Islands
CINM - Cayman Islands National Museum	NHDT - National Housing and Development Trust
CISE - Cayman Islands Stock Exchange Ltd.	NRA - National Roads Authority
CNCF - Cayman National Cultural Foundation	OAG - Office of the Auditor General
CO - Cabinet Office	OMB - Office of the Ombudsman
CTC - Cayman Turtle Conservation and Education Centre Limited	PACI - Port Authority of the Cayman Islands
DPP – Office of the Director of Public Prosecutions	PLA - Portfolio of Legal Affairs
EPS - Entire Public Sector	POCS - Portfolio of the Civil Service
HSA - Health Services Authority	PSPB - Public Service Pensions Board
IAS – International Accounting Standards	SIAHDC - Sister Islands Affordable Housing Development Corporation
IFRIC – International Financial Reporting Interpretations Committee	SIC – Standard Interpretations Committee
IFRS – International Financial Reporting Standards	SIF - Segregated Insurance Fund
IPSAS – International Public Sector Accounting Standards	TAB - Tourism Attractions Board
JA – Judiciary Administration	UCCI - University College of the Cayman Islands
MACI – Maritime Authority of the Cayman Islands	URCO - Utilities Regulation and Competition Office
MCA - Ministry of Community Affairs	WACI - Water Authority of the Cayman Islands
MCPI - Ministry of Commerce, Planning and Infrastructure	
MDATT - Ministry of District Admin, Tourism & Transport	

EXECUTIVE SUMMARY

The annual reports and financial statements of the Government are the key documents that enable the House of Parliament (Legislative Assembly) and the residents of the Cayman Islands to hold the Government and individual public bodies accountable for their use of public money.¹

The 2019 public bodies' financial audits for the most part are complete and I am delighted that to date, of those audited, none have received a qualified opinion which is a continued improvement on past years.

It is worth noting that the 2019 and 2018 audits of the consolidated Entire Public Sector (EPS) account which includes the consolidation of the 41 public bodies (40 public bodies in 2018) along with the 'Executive Transactions' including expenditure and coercive revenues of the Government are still on-going. For the 2016-17 financial period, the EPS account of Government received an adverse opinion due to numerous issues. The report does not cover the EPS and this will be covered extensively in a separate upcoming performance audit report on *Financial Management and Reporting*.

In this report, I describe the state of financial management and reporting in the Cayman Islands public sector over recent years and make suggestions for improvement. The report provides appendices that show the status of the 2019, 2018, 2016–17 and 2015–16 audits including the audit opinions I have issued (Appendix A). The report also shows appendices that are rich in information about the 2019 financial performance of the individual Ministries, Portfolios and Offices (Appendix B) and Statutory Authorities and Government Companies (SAGCs) (Appendix C), as well as supporting financial analysis on them (Appendices D and E). I have also provided details on the 2019 matters raised through the 'emphasis of matter' and 'other matter' paragraphs on the audit opinion as well as an update on the 2018 matters raised (Appendix F). A list of all public bodies and their auditors is contained in Appendix G.

Based on the fifteen core government audits completed, the financial results of Ministries, Portfolios and Offices show that all but one recorded surpluses in 2019; the Ministry of Commerce, Planning & Infrastructure has recorded deficits in both the 2019 and the 2018 financial years.

The financial results reported by SAGCs present a mixed and varied picture; 15 out of the 22 audited SAGCs recorded surpluses while the remaining seven have made deficits. The Public Services Pension Board, Water Authority of the Cayman Islands, Segregated Insurance Fund and Cayman Islands

¹ The Privy Council approved the name change from Legislative Assembly to House of Parliament (Parliament) on 11 November 2020. The change was effective on 3 December 2020.

Monetary Authority are among the entities that recorded the largest surpluses, while the Health Services Authority, Cayman Turtle Conservation & Education Centre Limited, Port Authority of the Cayman Islands and National Housing Development Trust recorded the largest deficits. Appendices C and E provide further detail on SAGCs and demonstrates that a considerable proportion of them continue to show signs of being under financial strain. This is evidenced by the fact that the Cayman Islands National Insurance Company, the Cayman Turtle Conservation & Education Centre Limited, the Cayman National Cultural Foundation, the Sister Islands Affordable Housing Development Corporation and the National Housing Development Trust have all consistently recorded year-on-year deficits. This will likely continue to be the case in most instances without any changes in operations, business restructuring or ongoing and further government support or changes in government policy.

Public bodies are now routinely preparing annual reports to accompany their financial statements and I recommend that Members of Parliament (MPs) and the public read these to get a fuller and much deeper understanding of government business. I also urge all entities to lay their annual reports and financial statements in Parliament in a timely manner and publish these on their websites for those not doing so, while I urge those doing so to continue. Furthermore, as I reported in my 2018 General Report, I would like to highlight that delays in annual reports being laid in Parliament is still cause for concern. I have discussed this matter further later in this report as well as in Appendix A which shows the dates the tabling of annual reports occurred.

My Office looks forward to continuing our work with Government and the individual entities as they continue on the path of improving financial reporting and restoring accountability for the use of public funds.

INTRODUCTION

1. I am pleased to present this report to the House of Parliament that summarises the outcomes and status of my Office’s financial audits of 41 public bodies that consisted of 15 Ministries, Offices and Portfolios and 26 Statutory Authorities and Government Companies (SAGCs) for the year ended 31 December 2019. I believe that Members of Parliament will find this report useful in their role of ensuring financial accountability and transparency for government operations.
2. The majority of the 41 financial audits are undertaken by my staff i.e. 26 in-house audits, the remaining 15 audits are contracted out to private sector firms (namely Eisner Amper, Grant Thornton, KPMG & PwC) and subject to a final OAG quality review and my sign off. Appendix G shows which audits are undertaken by my staff and those that are outsourced to private sector firms.
3. In previous General Reports, significant emphasis was placed on providing readers with data and analysis on the financial performance of public bodies during the respective periods as few public bodies prepared annual reports to accompany their financial statements. Since 2016–17, this situation has improved significantly resulting in the majority of public bodies producing annual reports in 2019 and as a consequence I have only included limited discussion and analysis in this report and would encourage readers to review the annual reports themselves for greater detail.
4. This report does not include any performance information for the Office of the Auditor General or the Entire Public Sector (EPS) accounts for 2019. As reported earlier, the EPS audits for 2019 and 2018 are still on-going. The EPS comprises the consolidation of all 42 public bodies along with the additional expenditure and income of Government that is considered ‘Executive’ in nature. As noted earlier, the most recent opinion on the Government’s EPS account was issued in 2016–17 and it was an adverse opinion.
5. I would like to thank the staff of all public bodies, especially the Finance teams for their efforts and it is commendable that so many now have clean audit opinions. I would like to thank my team at the Office of the Auditor General and our contracted auditors at Eisner Amper, Grant Thornton, KPMG and PwC for their commitment and efforts in supporting this improvement. I would also like to acknowledge and point out that performing the 2019 audits was more challenging due to the inconveniences presented by the COVID–19 pandemic, which saw the country go through a lockdown period and required all non-essential employees to work from home. Despite these challenges, the Finance teams, my team at the Office of the Auditor General and the contracted external firms all showed great resilience and dedication to help me achieve my mandate of performing these audits.

THE STATE OF FINANCIAL MANAGEMENT AND REPORTING IN THE CAYMAN ISLANDS GOVERNMENT

OVERVIEW

6. The outcomes from our audits for the year ended 31 December 2019 have continued to show improvement in the quality and timeliness of the annual financial reporting for all public bodies including core government entities and SAGCs.
7. As at the date of this report, the audits of the 2019 financial statements for all but five public bodies had been completed. A further three audits for 2018 and two audits for 2016–17 are outstanding. Exhibit 1 shows the outstanding audits as at December 2020.

Exhibit 1: Outstanding Audits as at December 2020

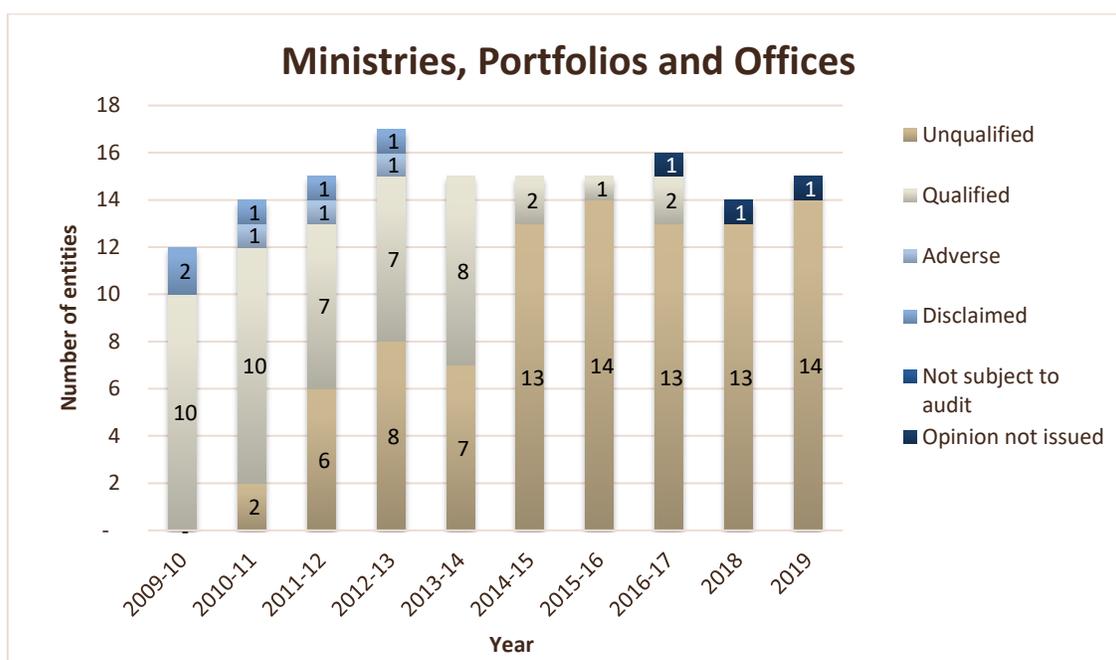
Entity	Year(s) Outstanding		
	2016-17	2018	2019
Ministry of Health, Environment, Culture and Housing	✓	✓	✓
Cayman Islands Airports Authority	✓	✓	✓
National Housing and Development Trust			✓
Utilities Regulation and Competition Office			✓
Cayman Airways Limited			✓

8. For the year ended 31 December 2019, I have issued unqualified opinions for all 36 audits completed so far. This is similar to 2018 which was an improvement on 2016–17 and showed 38 unqualified opinions issued to date for the 2018 audits. For the 2016–17 financial period I issued four qualified opinions and one adverse opinion for the EPS audit.
9. Further information on the 2019 audits is provided in Appendix A. This appendix includes information about the audit opinions issued, the date they were signed and the date that they were tabled in the Legislative Assembly. This appendix also contains information for three prior years 2015–16, the 18 – month period of 2016–17 and 2018 year for trend and comparison purposes.

CORE GOVERNMENT ENTITIES

10. Exhibits 2 and 3 show the number and types of audit opinions, respectively that my Office has issued for core government entities in the ten years 2009–10 to 2019. Exhibit 2 shows significant improvements in the type of audit opinion in 2014–15 where the number of unqualified opinions increased from seven in 2013–14 to 13 in 2014–15. Although this is a prima facie notable improvement, it should be noted that the number of core government entities requiring audits changed over this period from 12 in 2009–10 to 15 in 2019.

Exhibit 2: Core government entities audit opinions, 2009–10 to 2019

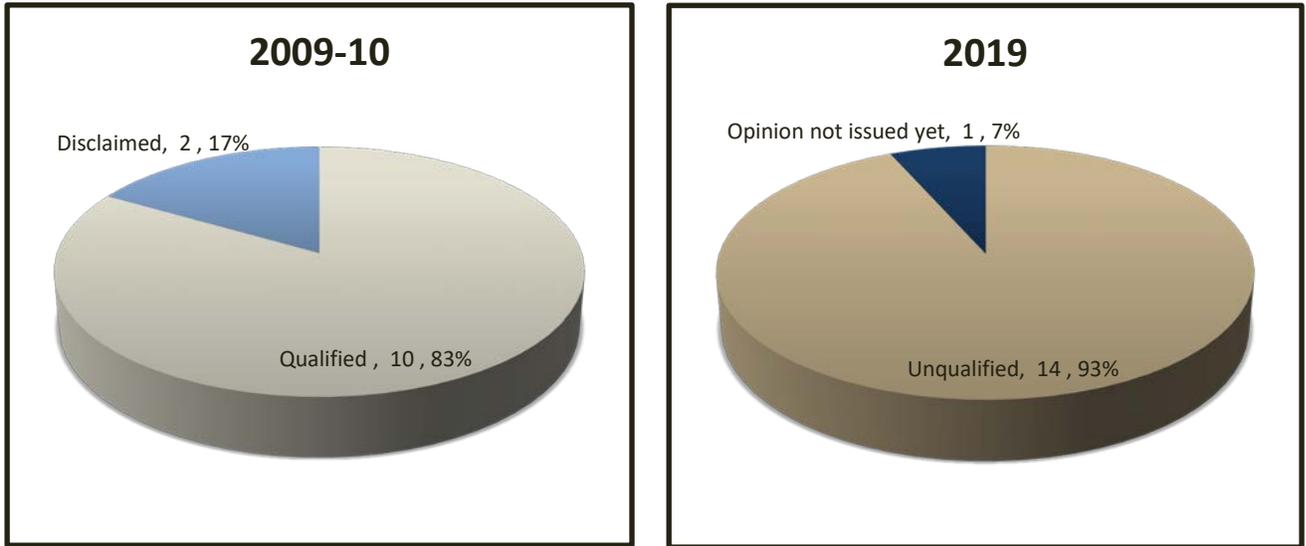


Notes:

1. The number of core government entities changed from 12 to 15
2. The audits of MHECH for the 2016–17, 2018 and 2019 are incomplete at the time of this report.

11. Exhibit 3 shows that in the ten years from 2009–10 to 2019 there was a significant improvement in the types of audit opinion that were issued for Ministries, Portfolios and Offices within the core government. In 2019 all entities audited to date have received an unqualified opinion compared to none being unqualified ten years ago. This improvement can be attributed to the leadership of the Deputy Governor and the considerable efforts made by the Chief Officers, Chief Financial Officers and their teams to restore financial accountability in the use of public resources.

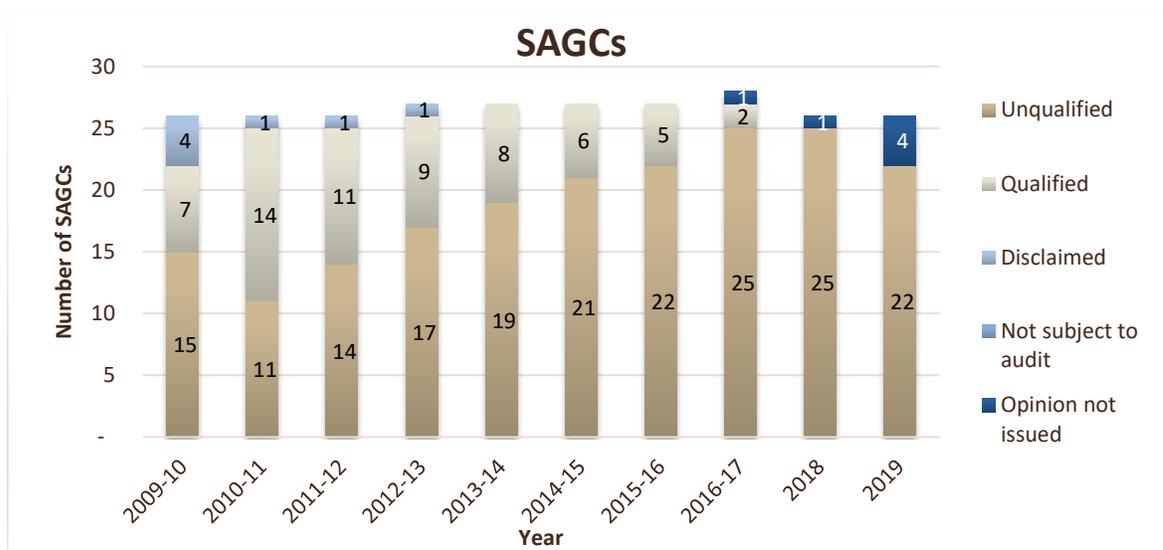
Exhibit 3: Comparison of total core government entities audit opinions, 2009–10 and 2019



Note: There were 12 core government entities in 2009–10 and 15 in 2019.

12. Exhibits 4 and 5 show the number and types of audit opinions respectively that my Office has issued for SAGCs, in the ten years 2009–10 to 2019. In contrast to core government entities, Exhibit 4 shows a gradual improvement year-on-year and a significant improvement in the last two years, with all opinions issued being unqualified.

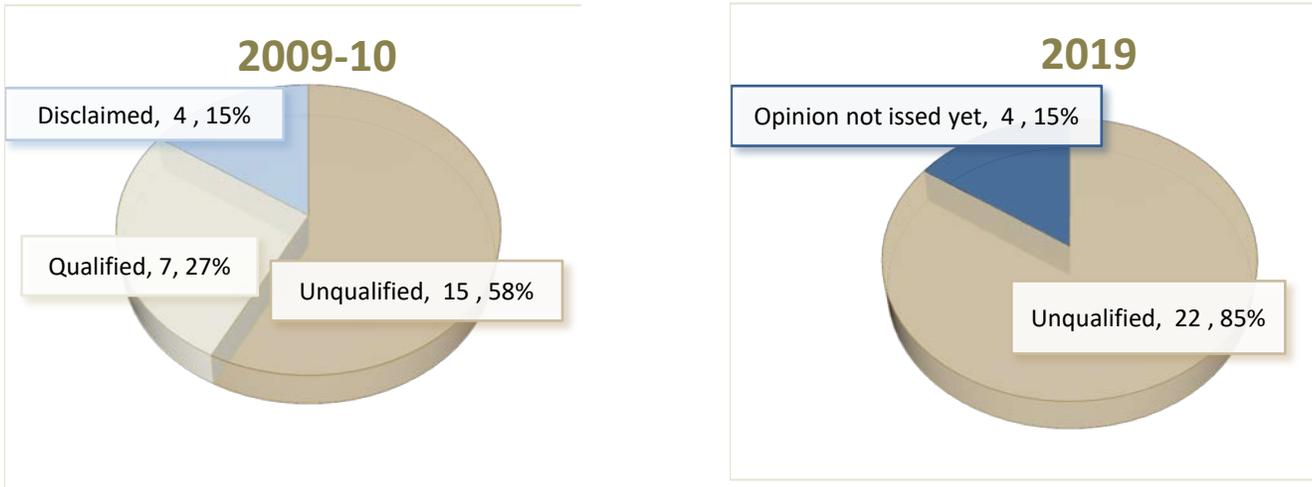
Exhibit 4: SAGCs audit opinions, 2009-10 to 2019



13. Exhibit 5 shows that, similar to core government entities, there was a significant improvement in the types of audit opinion that were issued for SAGCs for the ten years from 2009–10 to 2019.

SAGCs with unqualified opinions increased from 15 (58%) to 22 (85%). However, by comparison, the opinions given on the audits of SAGCs for 2009–10 although not ideal, were better than core government, with just over half of all SAGCs receiving an unqualified opinion in 2009–10.

Exhibit 5: Comparison of SAGCs opinions 2009–10 and 2019



14. Further details of the public bodies and related opinions for the periods 2019, 2018, 2016–17 and 2015–16 are provided at Appendix A.

QUALITY OF THE FINANCIAL STATEMENTS

KEY AUDIT CONCERNS

15. The quality of financial information presented has steadily improved over the years, and this is demonstrated in 2018 and continued in 2019 by all of the audit opinions to date being unqualified.
16. As previously reported all of the 36 audits for 2019 completed to date all have unqualified audit opinions. However, I have included ‘Emphasis of Matter’ (EOM) or ‘Other Matter’ (OM) paragraphs on the audit opinions for nine of them. These paragraphs highlight matters I believed need to be brought to the attention of the users of the financial statements. Exhibit 6 is a summary of significant issues that were raised as either ‘emphasis of matter’ or ‘other matter’ in 2019.

Exhibit 6: Significant issues raised as ‘Emphasis of Matter’ paragraphs in 2019 Audit Opinions

Entity	Going concern - Heavy reliance on Central Government Support	Non-compliance with the Insurance Regulations, 2012 (Capital and Solvency)	Going concern- Net liability position	Non-compliance with PAL S47
Cayman Islands Development Bank	✓			
Cayman Islands Monetary Authority				✓
Cayman Islands National Insurance Company		✓		
Cayman Turtle Conservation and Education Centre Limited	✓			✓
Health Services Authority			✓	✓
National Roads Authority				✓
Port Authority of the Cayman Islands				✓
Public Service Pensions Board				✓
Water Authority of the Cayman Islands				✓

17. Although most SAGCs have the backing of central government, the heavy reliance on support from the central government is cause for concern for two SAGCs. As was the case in 2018, CIDB’s ability to meet its obligations and capacity to sustain its operational expenditures are significantly reliant on continued central government support from the proceeds of capital injection and services provided to the Government. Similarly, as was the case in 2018, CTC continues to be dependent upon the continued financial support of the central government to enable it to meet its obligations as they fall due. The subsequent global outbreak of the coronavirus, COVID–19, in 2020 and the measures taken by the Government to mitigate the threat to the Cayman Islands, including the closure of the cruise port, the airports and CTC’s facility, has increased the CTC’s financial dependency on the Government. Without this ongoing support a material uncertainty exists that casts significant doubt about these SAGCs’ ability to continue as a going concern.
18. In my 2019 audit opinion I highlighted that CINICO was not in compliance with the Insurance Regulations. At 31 December 2019, CINICO was \$2.2m over the CIMA’s Minimum Capital Requirement and \$0.6m below the Prescribed Capital Requirement (PCR). It was therefore not in compliance with the prescribed capital requirements of the Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012.
19. In 2018, I highlighted the net liability position of the HSA via an ‘emphasis of matter’ paragraph on the audit opinion. This situation has worsened in 2019 with the net deficit increasing from \$7.3m in 2018 to \$30.3m in 2019 resulting in the HSA being technically insolvent as total liabilities exceed total assets. However, this deficit is largely as a result of the re-measurement of the post-

retirement employee health care liability which increased by \$29.9m (22%) from \$137.4m in 2018 to \$167.3m in 2019.

20. In 2019, I highlighted in the audit opinions of seven SAGCs the non-compliance with Section 47 - *Terms and conditions and remuneration of staff* of the *Public Authorities Law (2020 Revision)* (PAL), which came into effect for the first time in 2019. This section required public authorities to standardize their salaries and benefits by 1 June 2019. As at 31 December 2019, the following SAGCs had not completed the standardisation process; CIMA, CTC, HSA, NRA, PACI, PSPB and WACI. This is discussed in detail later in this report under Key Audit Matters.

UPDATE ON MATTERS HIGHLIGHTED THROUGH THE 'EMPHASIS OF MATTER' AND 'OTHER MATTER' PARAGRAPHS IN THE 2018 AUDIT OPINIONS.

21. In the 2018 audits, I issued opinions that had EOM paragraphs highlighting a numbers of different issues for two core government entities and ten SAGCs. It is encouraging to note that most of the issues have been resolved by the relevant entities and they have not recurred in the 2019 financial year.
22. Exhibit 7 below provides a summary of the matters which resulted in EOM paragraphs in 2018.

Exhibit 7: 'Emphasis of Matter' paragraphs in 2018 Audit Opinions

Entity	Going concern- Heavy reliance on Central Government Support	Non-approval of supplementary appropriations by the LA	Restatement of corresponding information	Going concern- Net liability position	Misstatement due to the use of outdated Actuarial Valuation Reports
Cayman Islands Development Bank	✓				
Cayman Islands National Museum		✓			
Cayman National Cultural Foundation		✓			
Cayman Turtle Conservation and Education Centre Ltd.	✓				
Civil Aviation Authority			✓		
Health Services Authority				✓	
National Drug Council		✓	✓		
National Gallery of the Cayman Islands		✓			
National Roads Authority		✓			
Public Service Pensions Board					✓
Cabinet Office		✓			
Ministry of Financial Services and Home Affairs		✓			

23. I highlighted for seven entities namely; CINM, CNCF, NDC, NGCI, NRA, CO and MFSHA that they were authorised under section 11 (5) of the *Public Management and Finance Law (PMFL)* to make adjustments to their appropriations for exceptional circumstances, yet the Supplementary Appropriation Bill did not get passed into Law by the Legislative Assembly (LA) in a timely manner as required under the PMFL. This did not recur in 2019 for all but one of the entities whose audits have been completed to date. I raised this as a control weakness for the Cabinet Office and the Ministry of Education, Youth, Sports, Agriculture and Lands.

24. In 2018, I included an 'emphasis of matters' paragraph two audit reports in relation to the restatement of corresponding information. I highlighted the restatement made to the Civil Aviation Authority (CAA) 2017 financial statements due to the departure from the principles of the International Accounting Standards (IAS) namely IAS 32 - *Financial Instruments: Presentation*

and IAS 39 - *Financial Instruments: Recognition and Measurement*. During the year ended 31 December 2018, CAA noted that the timing and recognition of the dividend payable was following a directive for payment rather than the requirements of IAS 32 and IAS 39. I also highlighted for NDC that in the 2018 financial statements, the calculation for the time-in-lieu accrual was not based on the applicable NDC policies. The NDC policy limits the number of days to be accrued for to a maximum of five days yet the accrual recognised did not take this into account. This resulted in an overstatement of the obligation by \$21,602. These matters did not recur in 2019.

25. In its 2018 financial statements, the PSPB based the calculation of the Defined Benefit (DB) Additional Cost Contributions, the DB Past Service Liability Contribution and the fixed funding for Defined Contribution Past Service Liability on the Pension Regulations based on the January 2014 actuarial valuation as opposed to the January 2017 valuation despite it being available at the time. This was because of the delay in the tabling the 2017 actuarial valuation report containing recommended rates in the Legislative Assembly; this report was tabled in April 2019. The effect of using the 2014 report was an undervaluation of contributions amounting to approximately \$2.0m in the 2018 financial statements. With the tabling of the recommended rate in April 2019, PSPB was able to apply the correct rates in the 2019 financial statements. This matter has now been resolved.

COVID-19 PANDEMIC

26. Although I have not formally raised this as a concern in the various audit reports, I would also like to note that due to the emergence of the COVID-19 pandemic and the resulting lockdown period and border closures, the operations of various entities were affected in 2020. The most affected are those that rely more on international tourism for revenue. These entities are unlikely be able to generate income from their operations as they normally would and consequently their reliance on the funding from Government is likely to increase, although the extent remains unclear at this point. The most affected entities are expected to be the following; Cayman Airways Limited, Cayman Islands Airport Authority, Cayman Islands National Museum, Cayman Turtle Conservation and Education Centre Limited, Tourism Attraction Board and Port Authority of the Cayman Islands.
27. As part of the 2019 audits we made inquiries of management in relation to the impact of COVID-19 and required all public bodies to include in the subsequent events note their assessment and forecast of operations. The picture indicated by most public bodies was of uncertainty in the future.
28. To facilitate the country's recovery from the effects of the COVID-19 pandemic, the Supplementary Appropriations (January 2020 to December 2020) Bill, 2020 was enacted and passed into law in October 2020. This Bill includes appropriations allocated to a number of public bodies to enable them to either sustain their operations, cover additional costs or recover from lost revenues due to the

pandemic. For example, core government entities that received appropriations for additional costs incurred as a result of the pandemic include Ministry of Finance and Economic Development, the Ministry of Education, Youth, Sport, Agriculture and Lands and the Ministry of Community Affairs, which were appropriated \$40.0m, \$2.3m and \$0.85m respectively for response and recovery.

TIMELINESS OF THE FINANCIAL STATEMENTS AND ANNUAL REPORTS

29. In addition to having good quality financial information, it is important that financial information is accessible to key stakeholders and the general public in a timely manner. This is important as it should be able to be used for accountability and decision making purposes.
30. The usefulness of financial statements is impaired if the information is not made available to users within a reasonable time period. The International Public Sector Accounting Standards (IPSAS) clearly state that an entity should issue its financial statements within six months of the reporting date. Under the *Public Management and Finance Law (PMFL)* the statutory requirement for entities is to submit their annual report, which contains the respective financial statements to my Office within two months after the year-end. My Office is then required to conduct an audit of the financial statements within two months i.e. by 30 April each year.
31. Public bodies are also required under the PMFL to present the annual report containing the financial statements and audit opinion to the House of Parliament via the Cabinet within five months after the end of the year.
32. For the 2019 reporting period I received financial statement submissions from all bar three of the 41 public bodies by the 28 February 2020 statutory deadline, which indicates a step backwards from 2018 where only one public body submitted financial statements after the statutory deadline. The late submissions of the 2019 financial statements were received from UCCI, TAB and NHDT. In relation to the annual reports, compliance with this requirement of the PMFL has worsened as only 14 out of 41 were received before the statutory deadline. To date, 35 annual reports have been received and six are still outstanding. The outstanding annual report are from the following core government entities and SAGCs; NRA, MEBC, MITIAMA, NHDT, CAYS and PACI.
33. My Office and the contracted firms working on my behalf, completed audits for 27 of the 41 entities by the statutory deadline of 30 April 2020; an improvement from 2018 when 24 audits were completed by the statutory deadline. This was particularly pleasing given the working restrictions in place due to the COVID-19 pandemic. Compared to previous years, the number of audits completed by the statutory deadline was 27 for 2016-17 and 28 for 2015-16. Of the 15 audits undertaken by private firms five failed to achieve the completion deadline. This was an improvement from 2018 where only six out of 15 were completed by the deadline.
34. My Office completed 17 out of 26 in-house audits by 30 April 2020, The Ministry of Health and the Cayman Islands Airport Authority 2019 audits were not commenced as their 2016-17 and

2018 audits were still ongoing and not complete. A further three audits were completed between 1 May 2020 to 30 June 2020, resulting in 30 of the 41 audits (73%) being completed within six months after the reporting date of 31 December 2019, which international accounting standards recommend. The same percentage was achieved on the 2018 cycle of audits. By December 2020, a further six audits had been completed bringing the total to 36 audits (88%). Exhibit 8 shows the completion of the 2019 audits.

Exhibit 8: Completion of 2019 Audits

Date audit completed by	Number of Audits	Percentage	Cumulative Percentage of completed Audits
Completed by 30 April 2020	27	66%	66%
Completed by 30 June 2020	3	7%	73%
Completed by the issuance of this report (December 2020)	6	15%	88%
In-progress (see Exhibit 1)	5	12%	-
Total	41		

35. The 2019 audit cycle was also impacted by the introduced and adopted for the first time of IFRS 16 – *Leases* which changed the manner in which leases are accounted for in the financial statements. This was the most significant change in the accounting standards for entities that report under IFRS. Greater detail on the impact of these changes is given later in this report under Key Audit Matters.
36. The timeliness of the submissions of financial statements and the completion of audits is now reasonably good while the timeliness of the submissions of annual reports continues to be an area of concern as these continue to come in after the statutory deadline. Furthermore, there still continues to be delays in the tabling of these financial statement and the associated annual reports in the Legislative Assembly, which is the pivotal step that completes the accountability chain.

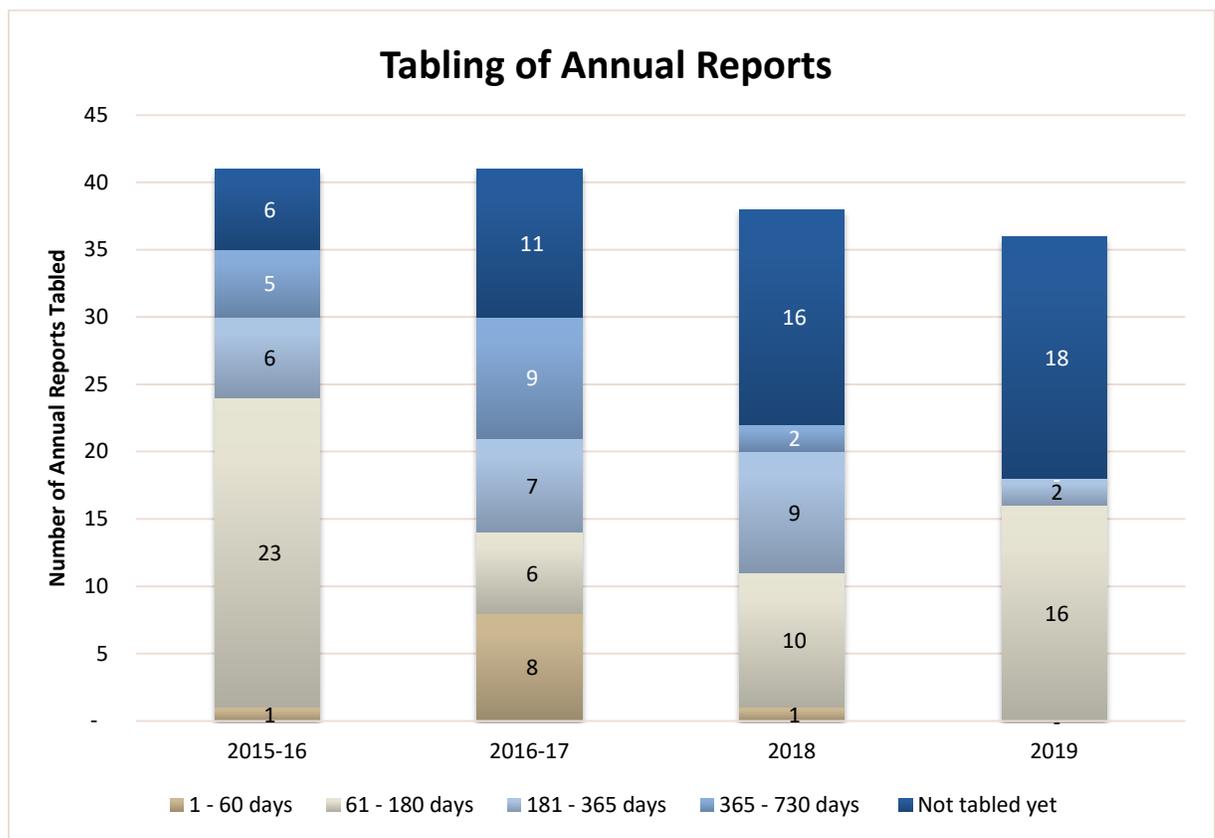
ACCOUNTABILITY

37. In my 2016–17 and 2018 general report I highlighted the importance of annual reports being prepared by entities and more importantly tabled in the Legislative Assembly in a timely manner to ensure proper accountability.
38. The tabling of the annual reports in the House of Parliament continues to be an area of focus and concern for my Office. Without an annual report, it is almost impossible for stakeholders, legislators and citizens, to fully understand how public resources have been used and to hold the Government and public bodies accountable. As noted earlier in this report, the number of public

bodies preparing annual reports has increased considerably, but the timeliness of these reports reaching the Legislative Assembly is still a matter of concern.

39. Exhibit 9 shows the trend in the timeliness of annual reports for the period from 2015–16 to 2019 being tabled in the Legislative Assembly. It shows the number of days between the date the audit report was signed off for the respective financial statements and the date the annual report was tabled in the Legislative Assembly. The respective financial statements are incorporated in the annual reports.

Exhibit 9: Tabling of 2015–16 to 2019 Annual Reports



Note: Annual Reports and Financial Statements tabled as at 10 December 2020

Source: Order Papers from the Legislative Assembly/Parliament

40. Our analysis shows that of the 36 of 2019 audits that have been completed as at the date of this report, 18 annual reports (50%) have been tabled in the Legislative Assembly, with 16 being tabled within two months after the date that the audit was completed while the remaining two were tabled after six months. The remaining 18 annual reports have not been tabled as yet.

41. By comparison, of the 38 audits completed for 2018, 22 annual reports (58%) have been tabled, with only one being tabled within two months of the date of audit completion, the remaining 21 took between 61 days to 365 days to be tabled, while 16 have not been tabled to date.

42. In total, for the period 2015–16 to 2019, there were 160 audits completed, and of this amount 109 (68%) of annual reports (or financial statements) have been tabled. The majority of annual reports not yet tabled relate to more recent years – 2019 (18 audited but not tabled), 2018 (16 audited but not tabled) with the residual 17 relating to the periods before and including 2016–17.
43. Although there is some positivity in the increased number of reports tabled, concern still remains regarding the significant time it took for these reports to reach the Legislative Assembly; 95 out of 160 (including both tabled and still to be tabled reports) annual reports took over six months from audit completion to be tabled. As at the date of this report there were 51 annual reports that have not been tabled, of which 48 are beyond six months of their audit completion dates.
44. Such delays in the tabling of annual reports significantly impairs accountability of the public sector as key stakeholders and the wider public are not receiving information on entities' operations in a timely manner, which reduces the relevance of these reports in decision making.

KEY AUDIT MATTERS

INTRODUCTION

45. As part of my audit process I communicate with those persons charged with governance of the respective public body on significant and relevant matters of internal control deficiencies and matters of non-compliance observed, which may not have resulted in a modification of the audit opinion.
46. For core government, in addition to providing the respective Chief Officers with a report on significant and relevant matters of internal control deficiencies and matters of non-compliance observed, my Office also presents these reports to the Government's Audit and Risk Assurance Committee (ARAC), established in September 2019.
47. The ARAC was established by the Deputy Governor to provide him with independent and objective advice on the comprehensiveness, reliability and integrity of assurances on governance, risk management and control for the Cayman Islands core government.
48. In relation to SAGCs those charged with governance are referred to as Boards of Directors or Boards of Control (Board Members). Board Members are persons who are appointed by the Cabinet to oversee the strategic direction of SAGCs and provide a layer of accountability to the Parliament. Boards are also responsible for ensuring that the business of the SAGC is carried out in accordance with all applicable laws.
49. For SAGCs, in addition to the appointed non-executive members, the body which makes up the board may include the Chief Executive Officer or equivalent or several members of the respective SAGCs' executive management team and the Chief Officer (or designate) from the core government entity that the SAGC falls under. Many have a representative from MFED as well. However, these persons are not allowed to vote, not allowed to receive remuneration for serving as a board member and cannot serve in the capacity of chairman of the board.
50. In the following sections I have briefly discussed some of the general matters that were considered during the 2019 audits as they had implications for a various public bodies. I have also provided extracts of the key matters which were brought to the attention of those charged with governance for SAGCs and core government entities. Refer to Appendices B and C.

THE PUBLIC AUTHORITIES LAW

51. In March 2017, the Legislative Assembly passed the *Public Authorities Law* and it commenced on the 1 June 2017 with the exception of section 47, which covered salary scales and job evaluation. Section 47 was slated to commence on the 1 June 2018, but was later deferred to June 2019.
52. One of the factors that lead to the drafting of the *Public Authorities Law* was audit findings reported over years which noted that:
- the existing accountability framework was not working as well as it should, resulting in limited accountability;
 - there was little assurance that SAGCs were operating effectively and achieving the results expected by Government;
 - the results expected to be delivered by SAGCs were not clearly stated in the Ownership Agreement;
 - Ownership Agreements were more focused on activities to be delivered rather than the results to be achieved; and
 - there was no sound basis to report on value for money achieved.
53. In response to these and other factors, the Cabinet sought to have the legislation drafted with the following objectives:
- provide more control to Cabinet on how each public authority is operated;
 - improve the governance of public authorities by having a consistent overarching financial management framework;
 - provide a sound consistent approach to human resource practice; and
 - allow Cabinet to apply strategic policy initiatives to public authorities when it is in the best interest of the public
54. In conducting the 2019 audits, a number of key sections of the *Public Authorities Law* directly affected the level of legislative compliance of some SAGCs and these were flagged as matters of non-compliance in the respective reports to those charged with governance or required a waiver from the Ministry of Finance in order to mitigate the non-compliance. Refer to Exhibit 6.
55. The most significant of these matters related to section 47 – Terms and conditions and remuneration of staff requirements.

TERMS AND CONDITIONS AND REMUNERATION OF STAFF

56. The *Public Authorities Law* (PAL) provides directives on how SAGCs are expected to determine the terms and conditions and remuneration of staff.

57. The PAL requires SAGCs to use the same salary scale, as determined by Cabinet, and all jobs are to be evaluated by the same job evaluation methodology. The PAL also requires that after the date of the commencement where there is a difference between the terms and conditions of employment at a Public Authority and the civil service the salary grades for remuneration in the Public Authority shall be adjusted accordingly to reduce such differences.
58. To ensure compliance with the requirements of this law, the SAGCs were required to conduct job evaluations of current positions in their organisations to determine the salary bands on which the current positions aligned with on the salary scale determined by Cabinet. Most SAGCs were not able to conduct these evaluations internally and they engaged the Portfolio of Civil Service (POCS) to conduct these on their behalf.
59. In conducting the 2019 audits my Office noted instances, though not pervasive, where SAGCs had not fully complied with this requirement of the law as they had not completed the evaluations. As noted earlier in this report, I have raised 'Emphasis of Matter' paragraphs with regards to this in the audit opinions of seven SAGCs. For the 22 completed audits, 14 SAGCs have completed this evaluation.

CHANGE IN REPORTING STANDARDS

60. For the 2019 fiscal year, one financial reporting standard came into effect which had significant and material implication for a number of SAGCs.
61. IFRS 16 – *Leases Instruments* was adopted by the SAGCs who reported under the framework during the year ended 31 December 2019. IFRS 16 specifies how an IFRS financial statement preparer will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS - 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 - *Leases*. IFRS 16 replaces the following standards and interpretations, IAS 17 - *Leases*, IFRIC 4 - *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 - *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.
62. Due to the technical nature of these standards, proper implementation required SAGCs to contract with firms who provided advisory services and assisted with the development of required reporting data and note disclosures. It was good to note that the affected entities were well informed and well prepared for this change such that no significant delays in the audits were experienced as a result. My Office worked closely with and assessed the work produced by these firms and was satisfied that the financial data and disclosures produced were fairly stated.

REPORTING SERVICE PERFORMANCE

63. In previous General Reports produced by my Office, I have highlighted the deficiencies in the quality of financial data, the absence of annual reports containing comprehensive management discussion and analysis, as well as issues which were in some instances pervasive across entities e.g. overtime abuses, lack of controls over travel expenditures, weak related party disclosures, the use of supplementary appropriations and an absence of controls to address the risk of fraud.
64. Over the years I have noticed a marked improvement in most of these matters, the most notable being the quality of financial data which is evidenced in the 100% unqualified opinions to date as discussed earlier in this report. There has also been commendable enhancement in the content of annual reports, which once tabled in a timely manner would provide valuable information for decision makers.
65. I have also observed a reduction in the various control deficiencies that existed, and although there are still a number of entities with some key areas of control weakness, there has been a decrease overall in the number of matters my Office has identified that needed to be brought to the attention of those charged with governance. This, coupled with a control environment that continues to mature, has seen most issues being mitigated or measures being put in place to address them in the future.
66. As reported in my previous General Report, one area where greater focus must be placed is the quantum and quality of service performance information. At present, due to the suspended requirement of output reporting from the *PMFL* for core government, there is no robust assessment of service performance and whether, on a global basis, resources have been used in the most effective and efficient way, or if expected outcomes have been achieved.
67. The International Public Sector Accounting Standards (IPSAS), which is the financial reporting framework used by all of core government and some SAGCs, provides the following guidance on how entities should report on its service performance *“An entity should present service performance information that is useful to users for accountability and decision making purposes. Presentation should enable users to assess the extent, efficiency and effectiveness of the entity’s service performance. It should be appropriate to the entity’s service performance objectives and make the relationship between the entity’s service performance objectives and its service performance achievements clear”*.
68. *“When used in combination with the information in an entity’s financial statements, service performance information should enable users to assess the entity’s finances in the context of its achievement of service performance objectives and vice versa”*. This latter point is very relevant in assessing the performance of core government entities, particularly those who have reported

large surpluses, as a large surplus alone is not indicative of performance objectives being achieved in the most efficient manner.

69. As entities continue to improve the quality of reporting, and enhancing accountability, emphasis should be placed on providing detailed narrative discussion and analysis on its service performance information including but not limited to:

- Aspects of service performance that the entity considers should be highlighted.
- Factors that affected service performance achievements during the reporting period.
- The degree to which service performance objectives have been met.
- Balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance.
- An assessment of the efficiency and effectiveness of the entity's service performance.

CONCLUSION & RECOMMENDATIONS

70. This report provides a summary of our audits of Ministries, Portfolios, Offices, Statutory Authorities and Government Companies of the Cayman Islands Government for 2019.
71. The quality of financial reporting has improved significantly over recent years culminating into all public bodies being issued with a qualified audit opinion so far for their 2019 financial statements.
72. There has also been a marked increase in the number of entities preparing and tabling annual reports rather than only financial statements; thereby meeting a key requirement of the *Public Management and Finance Law* and enhancing the level of financial accountability to key stakeholders. However, the timely submission of these remains an area of concern.
73. As has been noted in previous General Reports, the achievement of proper accountability for the use of public funds is indicative of the strength of the functional leadership in the Government and specifically the strength of the leadership over the finances of the country, so it is encouraging to see that those charged with this stewardship are taking positive and proactive steps to improve the management of public resources.
74. Whilst the story is one of progress regarding financial reporting, specifically at the individual public body level, there is still more that can be done before achieving the level of accountability as expected by accounting standards and as envisioned in the *Public Management and Finance Law*.
75. The most significant accountability and efficiency improvements that I recommend are: 1) the timely laying of annual reports including the financial statements and audit opinions in the House of Parliament and then 2) the publication on the public body and Parliament websites to improve accountability and 3) stronger functional leadership being provided to all public bodies through the Ministry of Finance.
76. As the Government continues to bolster its financial reporting it must now place emphasis on enhancing the framework for reporting service performance information with the objective of demonstrating how effectively and efficiently public resources are used, and the outcomes and benefits achieved
77. In addition to these recommendations, there remains some matters which still impede the production of relevant and reliable financial statements and steps should be taken to remove

these impediments to further improve the timeliness, quality and usefulness of the financial statements:

- untimely submission of supporting schedules causing issues with achieving the statutory audit deadline; and
- non-compliance with laws and regulations.



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

14th December 2020

APPENDIX A – STATUS OF AUDITS: 2015–16 TO 2019

Ministries, Portfolios and Offices	2015 – 16			2016 – 17			2018			2019		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	28-Feb-18	Unqualified with Emphasis of Matter		30-Apr-18	Unqualified	26-Jul-19	23-Apr-19	Unqualified with Emphasis of Matter	26-Jul-19	24-Apr-20	Unqualified	
Office of the Director of Public Prosecutions	31-Oct-16	Unqualified	27-Mar-17	30-Apr-18	Unqualified	12-Sep-18	30-Apr-19	Unqualified	14-Nov-19	30-Apr-20	Unqualified	7-Dec-20
Information Commissioner's Office	31-Oct-16	Unqualified	22-Mar-17	30-Apr-18	Unqualified with Emphasis of Matter	12-Apr-19	N/A			N/A		
Judicial Administration	31-Oct-16	Qualified	27-Mar-17	30-Apr-18	Unqualified	31-Jan-20	30-Apr-19	Unqualified		30-Apr-20	Unqualified	
Ministry of Commerce, Planning and Infrastructure	31-Oct-16	Unqualified	15-Mar-17	13-Jul-18	Unqualified	14-Nov-18	29-Apr-19	Unqualified		30-Apr-20	Unqualified	14-Oct-20
Ministry of Community Affairs	15-Sep-17	Unqualified		3-May-18	Qualified		15-Apr-19	Unqualified	24-Jul-19	20-Apr-20	Unqualified	
Ministry of District Administration, Tourism & Transport	18-Nov-16	Unqualified	27-Mar-17	3-May-18	Unqualified	28-Jun-18	25-Apr-19	Unqualified	13-Nov-19	30-Apr-20	Unqualified	29-Jul-20
Ministry of Education, Youth, Sports, Agriculture and Lands	16-Nov-18	Unqualified	26-Jul-19	18-Dec-19	Unqualified	10-Dec-20	18-Dec-19	Unqualified	10-Dec-20	21-Jul-20	Unqualified	10-Dec-20
Ministry of Employment & Border Control	31-Oct-16	Unqualified	24-Feb-17	30-Apr-18	Qualified		30-Apr-19	Unqualified	30-Jan-20	3-Sep-20	Unqualified	

Ministries, Portfolios and Offices	2015 – 16			2016 – 17			2018			2019		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Ministry of Finance and Economic Development	25-Oct-16	Unqualified	15-Mar-17	8-Apr-18	Unqualified with Other Matter	27-Jun-18	15-Mar-19	Unqualified	12-Apr-19	6-Mar-20	Unqualified	29-Jun-20
Ministry of Financial Services and Home Affairs	31-Oct-16	Unqualified with Emphasis of Matter	24-Feb-17	13-Jul-18	Unqualified with Emphasis of Matter	12-Apr-19	17-Apr-19	Unqualified with Emphasis of Matter	13-Nov-19	28-Apr-20	Unqualified	14-Oct-20
Ministry of Health, Environment, Culture and Housing	3-Aug-18	Unqualified with Other Matter		In progress			In progress			In progress		
Ministry of International Trade, Investment, Maritime & Aviation	N/A			N/A			N/A			30-Apr-20	Unqualified	
Office of the Complaints Commissioner	31-Oct-16	Unqualified	22-Mar-17	30-Apr-18	Unqualified with Emphasis of Matter	12 April 2019	N/A			N/A		
Office of the Ombudsman	N/A			1-May-18	Unqualified	12-Apr-19	30-Apr-19	Unqualified	13-Nov-19	30-Apr-20	Unqualified	29-Jul-20
Portfolio of Legal Affairs	31-Oct-16	Unqualified	27-Mar-17	2-May-18	Unqualified	24-Jul-19	30-Apr-19	Unqualified	14-Nov-19	30-Apr-20	Unqualified	14-Oct-20
Portfolio of the Civil Service	31-Oct-16	Unqualified with Emphasis of Matter	16-Mar-18	30-Apr-18	Unqualified	26-Jul-19	30-Apr-19	Unqualified		25-Apr-20	Unqualified	14-Oct-20
Entire Public Sector	19-Oct-17	Adverse		9-Sep-19	Adverse		In progress			In progress		

Notes:

1. The Information Commissioner's Office and Office of the Complaints Commissioner were merged in 2017 into the Office of the Ombudsman
2. In February 2019 the Ministry of Human Resources and Immigration changed its name to the Ministry of Employment and Border Control
3. In January 2019 the Ministry of International Trade, Investment, Maritime and Aviation was established.

SAGC	2015 – 16			2016 – 17			2018			2019		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	21-Oct-16	Unqualified	24-Feb-17	20-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18	11-Mar-19	Unqualified	24-Jul-19	12-Mar-20	Unqualified	1-Jul-20
Cayman Airways Ltd	24-Feb-17	Unqualified with Emphasis of Matter	14-Mar-18	25-May-18	Unqualified with Emphasis of Matter	24-Jul-19	18-Feb-20	Unqualified with Emphasis of Matter		In progress		
Cayman Islands Airports Authority	5-Jun-19	Unqualified	24-Jul-19	In progress			In progress			In progress		
Cayman Islands Development Bank	26-Oct-16	Unqualified with Emphasis of Matter	22-Feb-17	17-May-18	Unqualified with Emphasis of Matter	12-Apr-19	2-Aug-19	Unqualified with Emphasis of Matter	5-Dec-19	20-Jul-20	Unqualified with Emphasis of Matter	
Cayman Islands Monetary Authority	20-Dec-16	Unqualified	1-Nov-17	30-Apr-18	Unqualified	28-Jun-18	30-Apr-19	Unqualified	24-Jul-19	15-Sep-20	Unqualified with Emphasis of Matter	7-Dec-20
Cayman Islands National Insurance Company	25-Apr-19	Unqualified	26-Jul-19	25-Apr-19	Unqualified	26-Jul-19	30-Sep-19	Unqualified	5-Dec-19	30-Apr-20	Unqualified with Emphasis of Matter	
Cayman Islands National Museum	26-Oct-16	Qualified with Emphasis of Matter	23-Aug-17	15-Nov-18	Unqualified with Emphasis of Matter		30-Apr-19	Unqualified with Emphasis of Matter	5-Dec-19	30-Apr-20	Unqualified	

SAGC	2015 – 16			2016 – 17			2018			2019		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cayman Islands Stock Exchange	28-Oct-16	Unqualified	24-Feb-17	30-Apr-18	Unqualified	27-Jun-18	30-Apr-19	Unqualified	24-Jul-19	30-Apr-20	Unqualified	1-Jul-20
Cayman National Cultural Foundation	31-Oct-16	Qualified with Emphasis of Matter		31-May-18	Qualified with Emphasis of Matter	9-Dec-20	29-Apr-19	Unqualified with Emphasis of Matter	9-Dec-20	22-Apr-20	Unqualified	
Cayman Turtle Conservation and Education Center Limited	28-Oct-16	Unqualified with Emphasis of Matter	22-Feb-17	18-Dec-19	Unqualified with Emphasis of Matter	23-Oct-20	14-May-20	Unqualified with Emphasis of Matter	23-Oct-20	14-May-20	Unqualified with Emphasis of Matter and Other Matter	23-Oct-20
Children & Youth Services Foundation	26-Oct-16	Unqualified	22-Feb-17	30-Apr-18	Unqualified with Emphasis of Matter		20-Jun-19	Unqualified		29-Jun-20	Unqualified	
Civil Aviation Authority	31-Oct-16	Unqualified	24-Feb-17	30-Apr-18	Unqualified	28-Jun-18	17-May-19	Unqualified with Emphasis of Matter	31-Jan-20	22-May-20	Unqualified	7-Dec-20
Electricity Regulatory Authority	27-Oct-16	Unqualified with Emphasis of Matter	22-Feb-17	30-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18	N/A			N/A		
Health Services Authority	13-Apr-17	Qualified with Other Matter	23-Aug-17	30-Apr-18	Qualified	24 July 2019	30-Apr-19	Unqualified with Emphasis of Matter		30-Apr-20	Unqualified with Emphasis of Matter	

SAGC	2015 – 16			2016 – 17			2018			2019		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Information and Communications Technology Authority	31-Oct-16	Unqualified with Emphasis of Matter	27-Jun-18	30-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18	N/A			N/A		
Maritime Authority of the Cayman Islands	31-Oct-16	Qualified with Other Matter	24-Feb-17	8-Aug-18	Unqualified	14-Nov-18	23-Aug-19	Unqualified		6-Aug-20	Unqualified	7-Dec-20
National Drug Council	21-Oct-16	Unqualified	9-Dec-20	30-Apr-18	Unqualified	9-Dec-20	3-May-19	Unqualified with Emphasis of Matter and Other Matter		30-Apr-20	Unqualified	
National Gallery of the Cayman Islands	28-Oct-16	Qualified with Emphasis of Matter and Other Matter	23-Aug-17	30-Apr-18	Unqualified		30-Apr-19	Unqualified with Emphasis of Matter and Other Matter		28-Apr-20	Unqualified	
National Housing and Development Trust	24-Oct-17	Unqualified with Other Matter		30-Apr-18	Unqualified		2-Aug-19	Unqualified		In progress		
National Roads Authority	26-May-17	Unqualified with Emphasis of Matter	14-Mar-18	2-Nov-18	Unqualified with Emphasis of Matter		30-Apr-19	Unqualified with Emphasis of Matter		27-Apr-20	Unqualified with Emphasis of Matter	1-Jul-20
Port Authority of the Cayman Islands	15-Sep-17	Unqualified with Emphasis of Matter	24-Jul-19	20-Sep-19	Unqualified	16-Oct-20	20-Sep-19	Unqualified	16-Oct-20	13-Nov-20	Unqualified with Emphasis of Matter	

SAGC	2015 – 16			2016 – 17			2018			2019		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Public Service Pensions Board	28-Oct-16	Unqualified with Emphasis of Matter	15-Mar-17	30-Apr-18	Unqualified with Emphasis of Matter		17-Apr-19	Unqualified with Emphasis of Matter	24-Jul-19	29-Apr-20	Unqualified with Emphasis of Matter	1-Jul-20
Segregated Insurance Fund	26-Oct-16	Unqualified with Other Matter	22-Feb-17	19-Apr-18	Unqualified with Emphasis of Matter and Other Matter		21-Mar-19	Unqualified		13-Mar-20	Unqualified	
Sister Islands Affordable Housing Development Corporation	31-Oct-16	Unqualified	27-Mar-17	30-Apr-18	Unqualified	28-Jun-18	27-May-19	Unqualified	13-Nov-19	13-Mar-20	Unqualified	29-Jul-20
Tourism Attractions Board	8-Aug-18	Unqualified	24-Jul-19	2-Nov-18	Unqualified		18-Apr-19	Unqualified		29-Apr-20	Unqualified	
University College of the Cayman Islands	26-Oct-16	Unqualified	30-Jan-20	30-Apr-18	Unqualified	30-Jan-20	27-Jun-19	Unqualified		30-Apr-20	Unqualified	
Utilities Regulation and Competition Office	N/A			30-Apr-18	Unqualified	27-Jun-18	30-Apr-19	Unqualified		In progress		
Water Authority of the Cayman Islands	31-Oct-16	Unqualified	14-Mar-18	30-Apr-18	Unqualified	24-Jul-19	27-Nov-19	Unqualified		30-Apr-20	Unqualified with Emphasis of Matter	

Notes:

1. The Electricity Regulatory Authority and the Information Communication Technology Authority were merged into the Utilities Regulation and Competition Office with effect from January 2017.

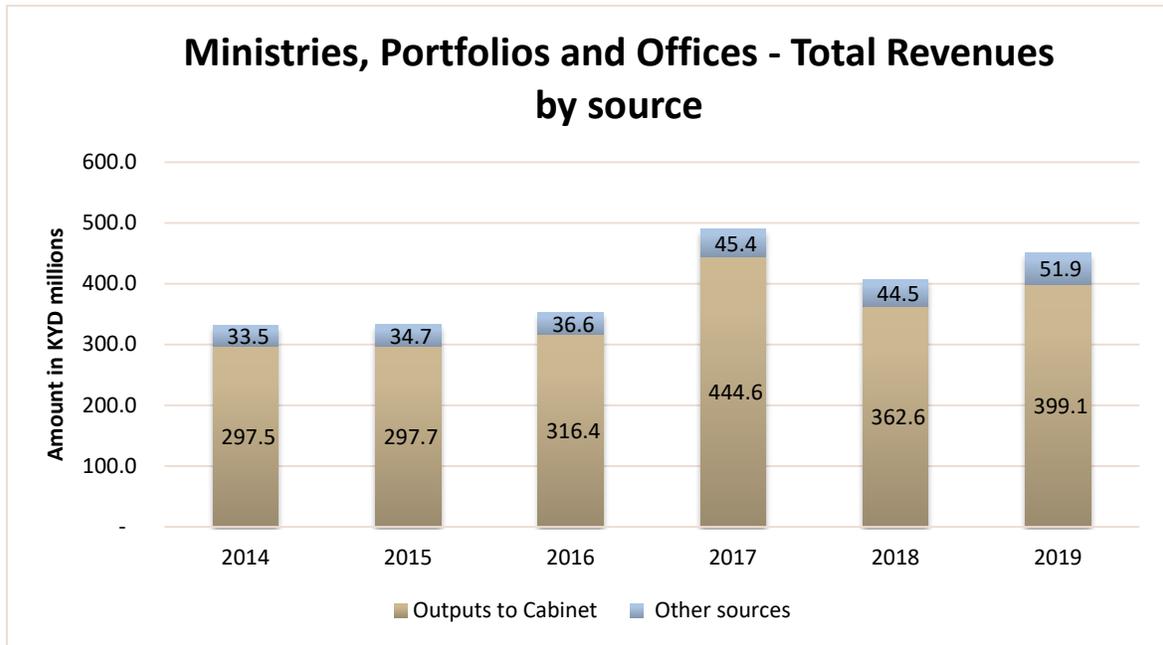
APPENDIX B – FINANCIAL PERFORMANCE OF MINISTRIES, PORTFOLIOS AND OFFICES

78. This section of the report provides a brief financial assessment of all core government entities i.e. Ministries, Portfolios and Offices for which an audit was completed for the 2019 and financial period with budgetary information included for those audits that are still ongoing to facilitate comparative analysis. I have also highlighted some of the control deficiencies and other significant findings noted while auditing some of these entities. Details of control deficiencies can be found in the individual ISA 260 and ISA 265 reports published on our website.
<http://www.auditorgeneral.gov.ky/>

SUMMARY FINANCIAL ASSESSMENT - REVENUES

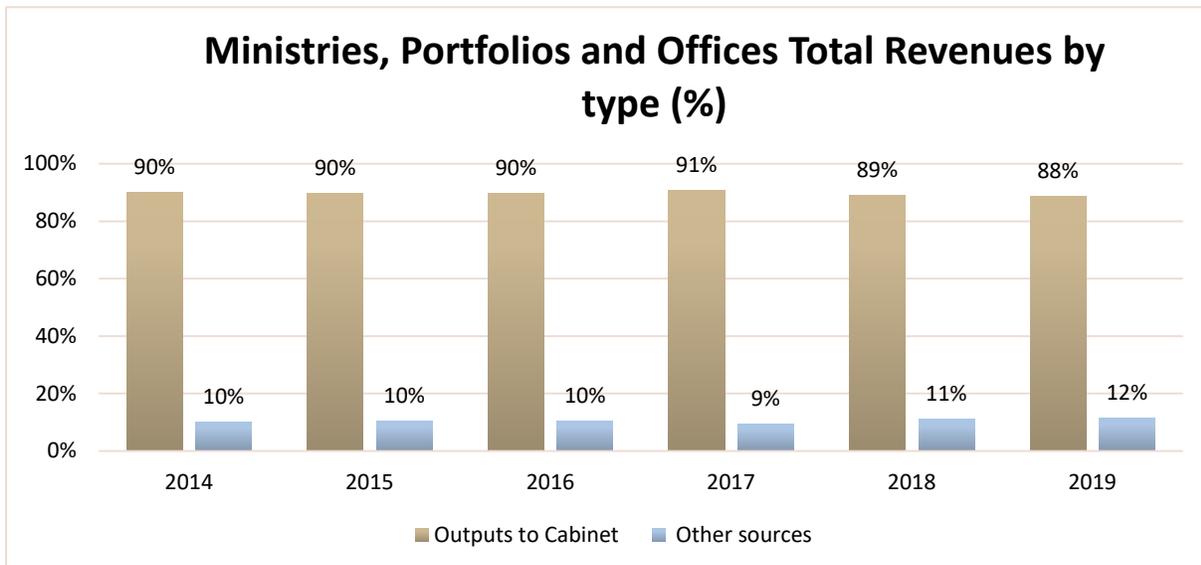
79. Ministries and Portfolios generate their revenue by delivering goods and services on behalf of the Cabinet and collecting revenue from the resulting outputs. They also charge members of the public directly for goods and services not deemed as coercive in nature (i.e. fees, duties etc.) collected on the behalf of the Treasury and not retained by the respective collecting core government entity.
80. The revenue generated from Cabinet is in essence the recovery of the cost incurred by entities to provide the outputs on the behalf of the Cabinet, and that is authorised through the appropriation process. Exhibit 10 shows that over the period from 2013–14 to 2019 the total amount of revenue generated from the provision of outputs to the Cabinet increased from \$297.5m to \$399.1m, while total revenues which is inclusive of revenue from other sources over the same period also increased from \$331.0m to \$450.9m.

Exhibit 10: Ministries, Portfolios and Offices Total Revenues by source, 2013–14 to 2019



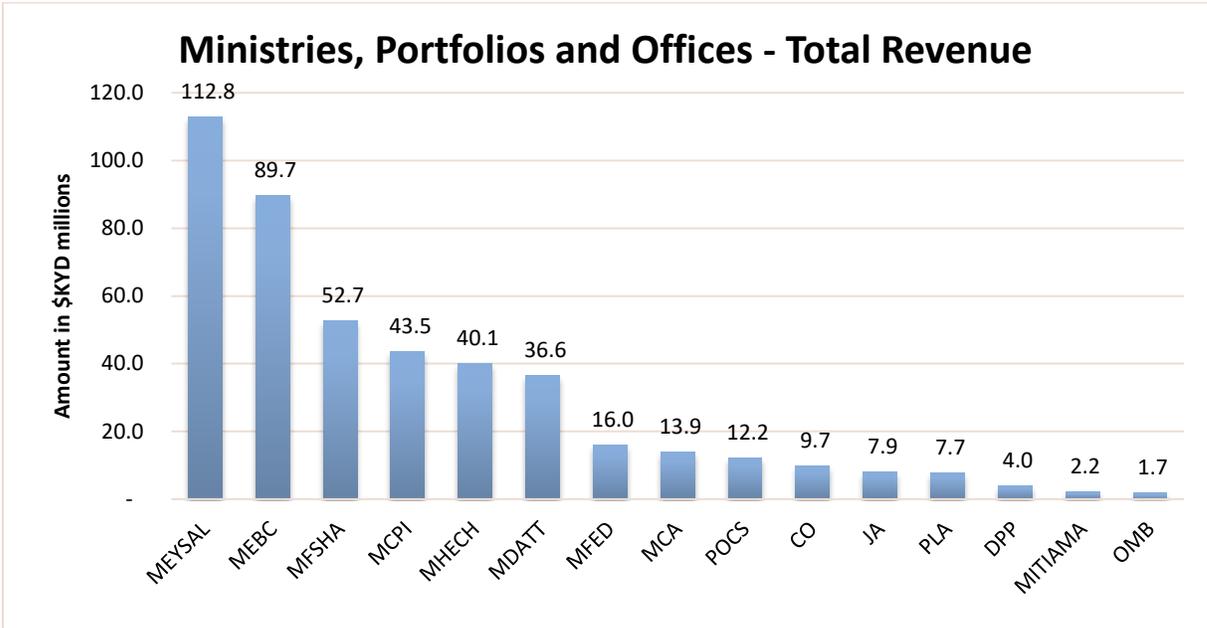
81. Exhibit 11 summarises Ministries, Portfolios and Offices total revenue by source as a percentage from 2013–14 to 2019. Although there was an increase in the amounts of revenue, the allocation source has remained relatively consistent over the same period, with approximately 90% of total revenue being sourced from Outputs to Cabinet while the remaining 10% comes from other sources.

Exhibit 11: Ministries, Portfolios and Offices Total Revenues by type (%), 2013–14 to 2019



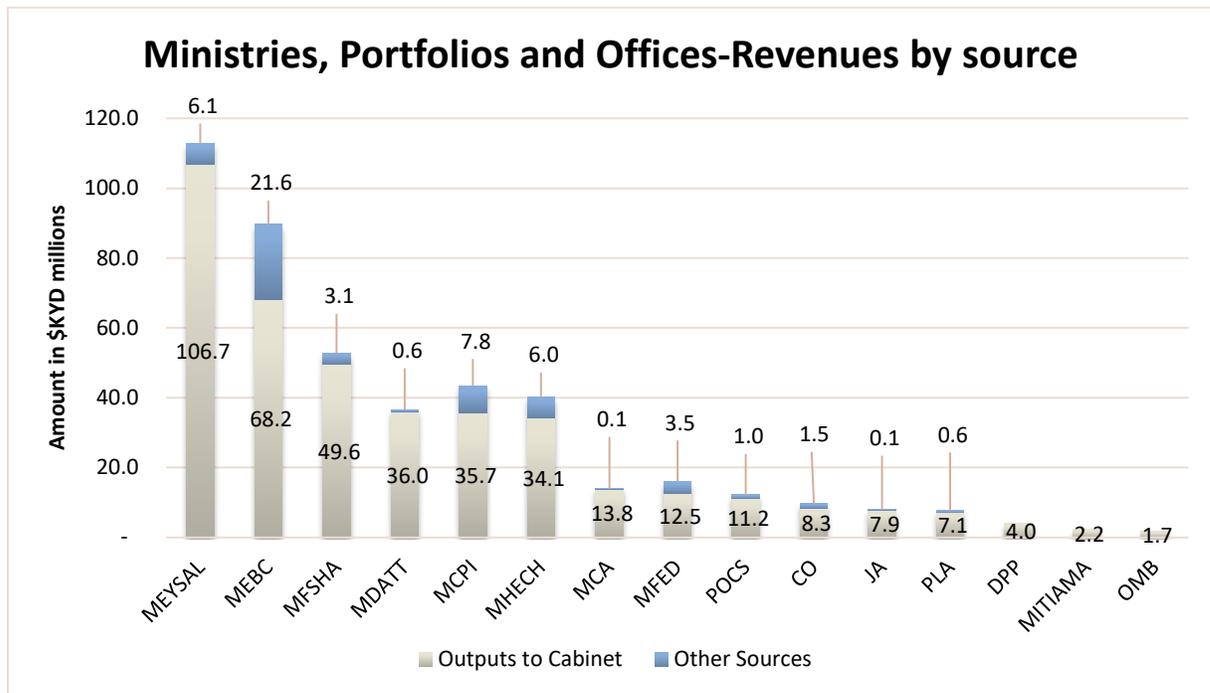
- 82. As illustrated above, the revenue from both sources has increased over the five-year period, with revenue from Outputs to Cabinet increasing from by 34% from \$297.5m in 2014 to \$399.1m in 2019, while revenue from other sources increased by 55% from \$33.5m to \$51.9m over the same period. These components fed into the 36% overall increase in revenue over the six-year period. It should be noted that the spike in 2017 is attributed to the 18-month fiscal period.
- 83. The largest component of the revenue that is generated from the Cabinet is the recovery of payroll costs for civil servants who are employed by the respective entities to provide outputs. This is consistent with most governments, which are labour driven as a considerable portion of the programmes and activities of the Government are service oriented. On average, for the five years between 2014–15 and 2019, revenues from outputs have contributed 88% of outputs for core government entities.
- 84. Exhibits 12 and 13 show total revenues earned and the allocations of revenues by sources for all Ministries, Portfolios and Offices for 2019 except for the OAG.

Exhibit 12: Ministries, Portfolios and Offices Total Revenues, 2019



Note: The amount for MHECH has been obtained from the unaudited draft financial statements submitted for audit.

Exhibit 13: Ministries, Portfolios and Offices Revenues by source, 2019



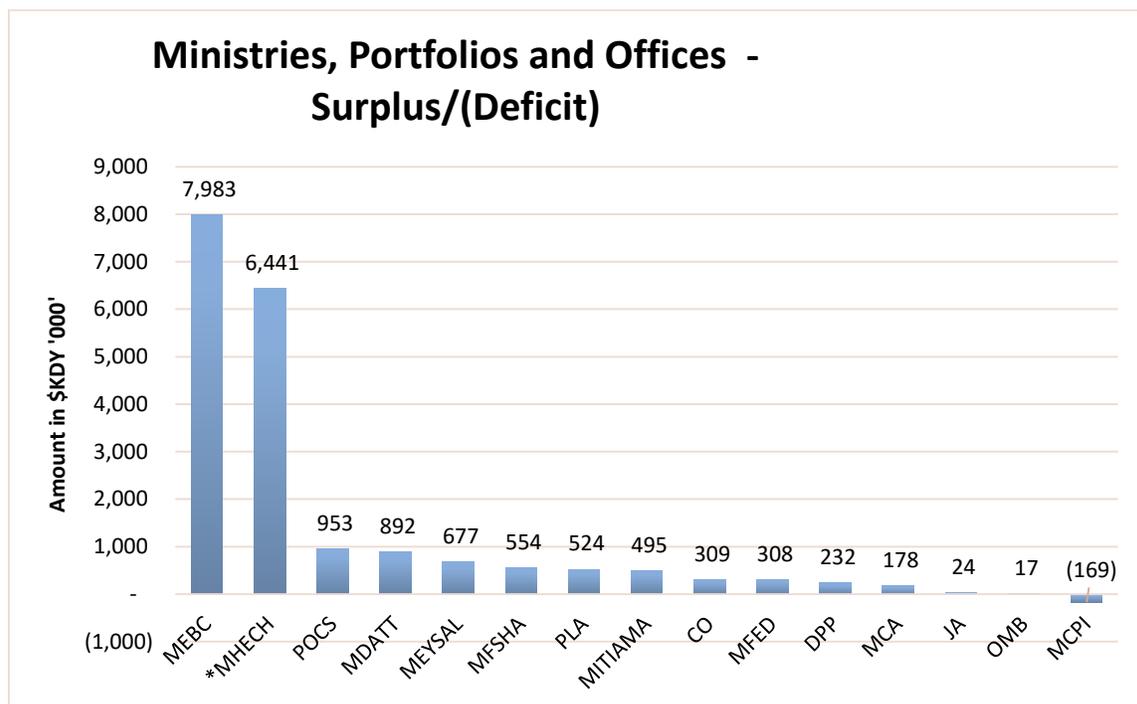
Note: The amount for MHECH has been obtained from the unaudited draft financial statements submitted for audit.

85. As has been highlighted in previous General Reports, the ability to independently assess the effectiveness of the resources used is minimised as there is currently no comprehensive performance management reporting framework which demonstrates if the intended outputs that were budgeted for were achieved in an effective and efficient manner.
86. Alternatively, the financial reporting is done only on an input cost basis and primarily only assess whether cost allocations have been exceeded or met, with no explicit details on whether the resources were efficiently used as authorised for the specific objective.
87. Despite this shortfall in the accountability framework for the use of public resources, it has been encouraging to observe the increasing number of entities that are producing annual reports inclusive of management discussion and analysis, and in some instances service performance information.
88. I encourage all entities to produce and table robust annual reports which provide more contextual details than what is contained in the financial statements. This would enable users to assess the extent, efficiency and effectiveness of the public body's service performance, as well as provide clarity of the relationship between the public body's service performance objectives and its service performance achievements for the respective financial period.

FINANCIAL PERFORMANCE AND POSITION

89. For 2019, all but one of the Ministries, Portfolios and Offices, for which an audit had been completed reported a surplus i.e. total revenue exceeded total expenditure. The Ministry of Commerce, Planning & Infrastructure reported a deficit.
90. However, as I have noted in the previous general reports, this performance although positive should not be assessed in isolation but should also consider the related services performance indicators and measures to determine the efficiency and effectiveness of the respective entities' operations. This is currently lacking due to the suspension of provisions of the *Public Management and Finance Law*, which requires entities to report on their outputs.
91. Exhibit 14 shows the net surplus or deficit for all Ministries, Portfolios and Offices for the year ended 31 December 2019.

Exhibit 14: Surplus/(Deficit) of Ministries, Portfolios and Offices, 2019

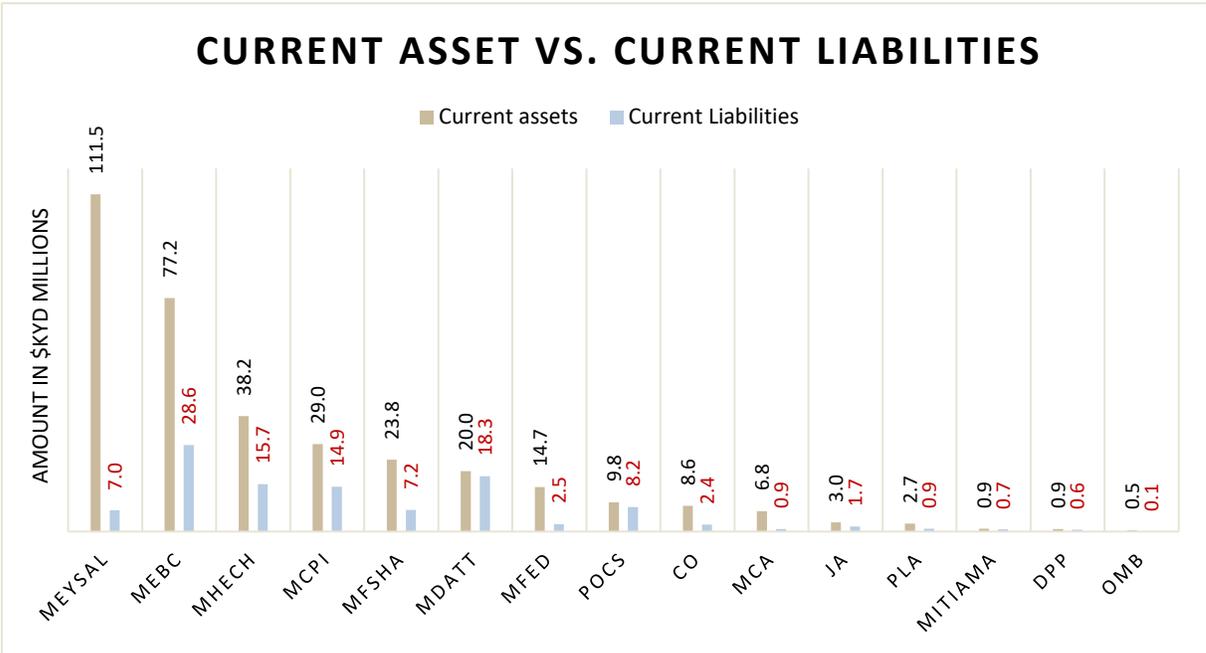


**This amount has been obtained from the unaudited draft financial statements submitted for audit.*

92. Exhibit 14 above shows that the Ministry of Employment of Border Control made a significant surplus when compared to other core government entities. This is attributed to the non-budgeted third party revenues recognised by the Ministry such as the donations from the UK Government's Foreign and Commonwealth Office to fund the purchase of a new police helicopter.

- 93. Consistent with their financial performance, all entities, for which an audit has been completed for 2019, reported healthy financial positions, with all entities having positive current ratios i.e. having adequate current assets to meet current obligations.
- 94. A current ratio of one (1) means the amount of current assets held (cash and easily liquidated assets like accounts receivables and inventory) is the same as the current obligations of a core government entity. Therefore a current ratio in excess of one indicates a positive asset position, and conversely a current ratio less than one indicates a shortfall of assets to meet current obligations.
- 95. Based on our calculations, the Ministry of Education reported the most notable current ratio of 15.8, which was attributable to significant current assets of \$111.5m, consisting of \$84.6m of cash and cash equivalents and \$26.9m of other current assets. The Ministry of Community Affairs had the second highest current ratio of 7.5, while the Ministry of District Administration, Tourism and Transport had the lowest ratio of only 1.1.
- 96. Exhibit 15 shows the current assets compared with the current liabilities while Exhibit 16 shows the current ratios for all Ministries, Portfolios and Offices for which an audit has been completed for the year 2019.

Exhibit 15: Ministries, Offices and Portfolios - Current Assets vs. Current liabilities, 2019



The amounts for MHECH obtained from the unaudited draft financial statements submitted for audit.

Exhibit 16: Current Ratios of Ministries, Portfolios and Offices, 2019

Core Government Entity	Current Ratio
Ministry of Education, Youth, Sports, Agriculture & Lands	15.8
Ministry of Community Affairs	7.5
Ministry of Finance and Economic Development	5.9
Cabinet Office	3.6
Office of the Ombudsman	3.5
Ministry of Financial Services & Home Affairs	3.3
Portfolio of Legal Affairs	2.8
Ministry of Employment and Border Control	2.7
Ministry of Health, Environment Culture & Housing	2.4
Ministry of Commerce, Planning & Infrastructure	2.0
Judicial Administration	1.8
Office of the Director of Public Prosecutions	1.4
Ministry of International Trade, Investments, Aviation and Maritime Affairs	1.3
Portfolio of the Civil Service	1.2
Ministry of District Administration, Tourism and Transport	1.1

97. In this section I have highlighted some of the key instances where it was necessary to draw to the attention of those charged with governance deficiencies in internal controls or significant findings observed during the 2019 audits of Ministries, Portfolios and Offices.

CABINET OFFICE	
Observation	Management Response
<p>Supplementary Appropriations</p> <p>In December 2019, the Cabinet of Ministers authorized a reallocation of \$350k from the Portfolio of Legal Affairs to Cabinet Office under section 11(5) Public Management and Finance (Amendment) Law, 2019 (“PMFL”) to reimburse the Office for additional costs incurred in respect of celebrations of the 60th Anniversary of the First Constitution, the Royal Visit to the Cayman Islands by Their Royal Highnesses the Prince of Wales and Duchess of Cornwall, upgrade of the National Heroes Square and other Protocol related matters.</p> <p>The Cabinet of Ministers also approved a transfer of \$75k from Cabinet Office to the Ministry of District Administration, Tourism and Transport under Section 11(5) of the PMFL. The funds were earmarked for expenditure on the Cruise Berthing Facility Public Education Campaign leading up to the Cruise Port Referendum originally scheduled for December 2019.</p> <p>A supplementary Appropriation Bill with the proposed changes had not been introduced in the Legislative Assembly at the date the financial statements were authorized for issuance.</p>	<p>In accordance with section 11(6)(b) Public Management and Finance (Amendment) Law, 2019 (“PMFL”); the approved supplementary appropriations were to be included in a supplementary Appropriation Bill to be introduced to the Legislative Assembly by the 31 March 2020. Unfortunately, due to the national lockdown resulting from the COVID-19 pandemic, this requirement could not be met.</p> <p>The mentioned Supplementary Appropriations were assented to and laid in the Legislative Assembly on 30 July 2020.</p>
<p>Repayment of Surpluses to the Ministry of Finance</p> <p>Cabinet Office has not made payments to the Ministry of Finance relating to surplus payable for the financial period/ years ended 31 December 2017, 31 December 2018 and 31 December 2019 contrary to the requirements of Section 39(3) (f) of the PMFL. The payable balance at 31 December 2019 is \$1.61m.</p>	<p>Management agrees with the recommendation. It is noted that the intention was for the Cabinet Office to repay outstanding surpluses following the completion of the 2019 Financial Audit. Unfortunately, this exercise was delayed due to the COVID-19 pandemic. And during the “Lock down” period it was essential to maintain sufficient cash to meet short term operational costs.</p>

CABINET OFFICE	
Observation	Management Response
	The Cabinet Office will repay all outstanding surpluses before the end of FY2020.
<p>Accounts receivable</p> <p>Recovery of expenses incurred on behalf of other Ministries</p> <p>We noted \$136k in receivables arising from expenses incurred by the Cayman Islands London Office (prior to its transfer to the Ministry of International Trade, Investment, Aviation and Maritime Affairs effective 1 May 2019) on behalf of other Cayman Islands Government Ministries has not yet been billed/ collected for over 2 years.</p> <p>This resulted in a provision of the full amount of this unbilled/ uncollected balance in the 2019 financial statements.</p> <p>Reconciling items between the accounts receivable general and sub-ledger</p> <p>We noted that there was a difference of \$801k between the accounts receivable balance in the trial balance and that in the aging analysis.</p> <p>Whereas the balance was reconciled for financial reporting purposes, the reconciling items have still not been recorded in the sub-ledger.</p>	<p>Management agrees with the recommendation and the Cabinet Office Finance Team has made efforts to collect the outstanding receivables from other Cayman Islands Government Ministries/Portfolios. The London Office is no longer under the remit of the Cabinet Office, and efforts are being made to significantly reduce the receivables by the end of the 2020 financial year end.</p> <p>Reconciling Items</p> <p>Management agrees with the recommendation; however notes that the referenced reconciling item is isolated as it specifically relates to intra-governmental billing. Nevertheless, we have sought assistance from the accounting system professionals regarding the sub-ledger “fix” and the difference between the general ledger and sub ledger should be rectified by the end of the 2020 financial year end.</p>

MINISTRY OF EDUCATION, YOUTH, SPORTS, AGRICULTURE AND LANDS	
Observation	Management Response
<p>Supplementary Appropriations not approved by the Legislative Assembly</p> <p>Sections 11(6) and 12(3) of the Public Management and Finance Law (2020 Revision) (“PMFL”) requires supplementary appropriations approved by Cabinet (under Section 11(5) of the PMFL) to be included in a Supplementary Appropriation Bill introduced in the Legislative Assembly by the 31st day of March</p>	<p>Recommendation is noted. However the tabling of supplementary appropriations is outside of the ambit of this Ministry.</p> <p>The final 2019 Supplementary was finalized at the Legislative Assembly in July 2020.</p>

MINISTRY OF EDUCATION, YOUTH, SPORTS, AGRICULTURE AND LANDS

Observation	Management Response
<p>following the financial year to which those transactions relate.</p> <p>During the year, the Cabinet of Ministers authorized, under sections 11(5) and section 12 of the PMFL, a number of supplementary appropriations affecting the Ministry resulting in an increase of \$10.5m to the Ministry's Output Revenue and a decrease of \$6.7m to the Ministry's Equity Injections appropriations.</p> <p>A Supplementary Appropriation Bill with the proposed changes had not been introduced in the Legislative Assembly at the date the 2019 financial statements were authorized for issuance in July 2020.</p>	
<p>Tendering for significant contracts</p> <p>The audit process revealed that the following services were outsourced and due for re-tendering in July and October 2019:</p> <ul style="list-style-type: none"> • Transportation • Security • Canteen • Janitorial <p>Instead of being re-tendered, the contracts were extended and a justification provided for the extension. Upon further inquiry, it was revealed that the contracts were tendered between 2016 and 2017 as follows:</p> <ul style="list-style-type: none"> • Canteen was last tendered in 2017 to 2019, extended for 1 year; • Transportation was last tendered in 2016 to 2018, extended for 2 years; additional routes were tendered in 2018 to 2019, extended for 1 year; • Security was last tendered in 2017 to 2019, extended for 1 year; • Janitorial (TMPS, CIFEC, DES, SJACPS, CHHS) were last tendered in 2018 to 2020; (GTPS, JGHS, LHS, PPS, SPS) were last tendered in 2018 to 2019, extended for 1 year. 	<p>Recommendation is accepted.</p> <p>The intent to tender in 2019 was evident in the 1 year tenders that were done in 2018, as opposed to 2 years, as this would have aligned the new tenders to expire the same time as those to be tendered. We do however recognize that while the justification for extension was provided, a direct award process should have been provided in addition.</p> <p>Outsourced services are being tendered in 2020 August through December 2020.</p>

MINISTRY OF EDUCATION, YOUTH, SPORTS, AGRICULTURE AND LANDS	
Observation	Management Response
<p>The Procurement Regulations, 2018 (the “Regulations”) stipulate that entities are required to undertake a competitive process when procuring any goods, services or works unless it can be demonstrated that the procurement meets the criteria of the direct award process.</p> <p>The approach taken by the Ministry does not comply with the Regulations even though a justification was provided for the deviation.</p>	

MINISTRY OF COMMERCE, PLANNING AND INFRASTRUCTURE	
Observation	Management Response
<p>Adequate Review Processes Lacking in some areas- Prepayments & Unearned Revenue</p> <p>Prepayments</p> <p>There were several differences noted in the calculations of prepayments mostly from the computer services department.</p> <p>The differences were mostly the result of recording amounts as prepayments which were not yet paid (accrued prepayments) by the financial year end.</p> <p>Unearned Revenue</p> <p>There were mis-postings noted in Public Works Department (PWD) unearned revenue which initially resulted in unearned revenue carrying a debit balance.</p> <p>It was noted that the Planning Department was netting certain online charges against unearned revenue during 2019.</p> <p>In both instances adjustments were made during the audit.</p>	<p>Prepayments</p> <p>Computer Services Department: Recommendation accepted.</p> <p>Unearned revenue</p> <p>PWD recognizes the miss-postings as year-end adjustments to the financial records in order to properly reflect status of client funds held in record year. As adjusting entries were not reversed in the new fiscal this resulted in unearned year, revenue carrying a negative balance when subsequent drawdowns/payments were processed. Adjusting entries have been prepared to correct the YE 2019 balance.</p> <p>PWD agrees with the recommendation to systematically review the unearned revenue account activity. To ensure robust monitoring going forward, the unearned revenue account has been included on the monthly audit reporting schedule, effective June 2020.</p> <p>Department of Planning:</p> <p>The recommendation is noted and accepted. Misallocations were corrected during the audit as noted. The ministry will be reviewing Planning's</p>

MINISTRY OF COMMERCE, PLANNING AND INFRASTRUCTURE	
Observation	Management Response
	online processes in relation to the unearned revenues.
<p>Payroll Related Control Weaknesses</p> <p>Overtime Overtime was calculated incorrectly in at least one instance and it was noted that this was a recurring issue which was noted in the prior year as well.</p> <p>There were also other instances noted in particular Computer Services Department where there was no signature seen on the overtime claim form certifying that hours claimed were worked.</p> <p>Duty Allowance Approval for payment of duties is not timely in some instances. Duty allowance was noted as backdated to 2018 although only approved in 2019. This issue seems to be reoccurring as backdated duty allowances were also noted in the prior year.</p> <p>Spending on Farewell Function It was noted where at least \$16,000 was spent on a farewell function. The budget approval provided as support indicated a budget of “\$10,000 plus” by the Chief Officer.</p>	<p>Overtime FM Director has started putting in the salary and hourly rate and providing the documents to Ministry HR to verify prior to sending to TSY Payroll. All overtime forms are now being checked by the line manager, director and HR Manager for correctness.</p> <p>Spending on Farewell Function Recommendation is accepted. However, the Procurement Regulation 5(1) (a) allows direct awards where the goods, services or works are valued at less than ten thousand dollars. Whilst the initial approved budget was ten thousand dollars, the estimated number of attendees increased along with other arrangements which led to the approved amended budget. Notwithstanding, the ministry continues to ensure value for money in those instances by seeking three quotations where possible, in keeping with its procurement policy.</p>

JUDICIARY ADMINISTRATION	
Observation	Management Response
<p>Open end contract in excess of \$100 thousand and not tendered out following procurement process During the current year audit, it was noted that the Entity incurred in excess of \$100 thousand in a security services contract with National Security. The contract is dated 2010 and open-ended and has since then been deemed as the basis for the relationship. Management has not tendered and thus value for money has not been achieved.</p>	Recommendation accepted.

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS

Observation	Management Response
<p>Poor Controls - Fire Fleet Maintenance (Recurring)</p> <p>During the 2018 audit, a number of control deficiencies were identified in the fire fleet maintenance department:</p> <ul style="list-style-type: none"> • FleetMate is being used to manage maintenance inventory items, however, it is not being used for all jobs and it is not being updated in a timely manner. • Parts are being used prior to being entered in FleetMate as an inventory resulting in no record of the parts being acquired before distribution. • Parts are being used but not correctly recorded on the work order completed by the technicians resulting in parts being used but not recorded in the FleetMate. • Lack of segregation of duties as the Fleet Maintenance Manager is the only person with an in depth knowledge of FleetMate and he is involved in the procurement and distribution of service parts. • Some items such as gloves, eyewear, battery, screws, clips etc. are classified as shop materials in FleetMate and there is no way of tracking the usage within the department. • Purchase orders being prepared subsequent to the parts being purchased <p>During the 2019 audit process, there were no indications that these matters were resolved.</p>	<p>The observations, risks/implications & recommendations from audit have been noted by management. CIFS Senior Mgmt. team has continued work on implementing controls in this area. They have placed a stronger emphasis on controls in the new fleet manager Job Descriptions which are to be recruited shortly. Work will continue in this area as they create a fit for purpose team structure to ensure better controls. There has been closer liaison and monitoring by the Finance Manager along with the current Fleet manager. Management will continue to work on building robust controls and addressing concerns in this area. A documented policy which includes the process and controls as well as the disciplinary measures for staff who do not comply has been instructed to be prepared and put in place by the end of October 2020. There will be a review of the use of the FleetMate system and training for staff in the department to be completed by the end of November 2020.</p>
<p>Non-compliance with the Procurement Law, Procurement Regulation and Procurement Policy (Recurring)</p> <p>A number of goods and services were not procured in accordance with the <i>Procurement Law (2016)</i>, Procurement Regulation (2018) and the Ministry's Procurement Policy. In some cases, Purchase Orders were not prepared and reasons for single sourcing not documented. A consultant which was hired in</p>	<p>The observations, risks/implications & recommendations from audit have been noted by management. There has been a single source put in place for the consultant being referred to which has an end date in October 2020. Justification with details for use of the consultant have been included.</p> <p>Management is currently working with our department on the use of a legacy vendor that you</p>

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS

Observation	Management Response
<p>2018 continued to be employed in 2019 but there was no evidence to justify the use of the consultant and to demonstrate the procurement process carried out to select the consultant. Additionally, a legacy vendor is being used with no justification for single source procurement.</p>	<p>referred to in order to bring all in relation to those services in line with the procurement policy. The plan is to issue an RFP with the aim for a contract to be issued by January 2021. This has been delayed in the first part of 2020 due to COVID and the department being assigned with responsibilities relating to COVID response.</p> <p>The Ministry has begun a program for training on procurement and has liaised with CPO to conduct the training sessions on our behalf which will be offered across all the Ministry's departments.</p>
<p>Weak controls - Property, Plant and Equipment (Recurring)</p> <p>Since the transfer of Home Affairs in 2017, there has been an increase in the activity in the property, plant and equipment account as such the following issues were identified and continues to be prevalent:</p> <ul style="list-style-type: none"> • Multiple errors identified in the mass additions schedule. • Items not being capitalized in a timely manner. • No formal property, plant and equipment policy. 	<p>The Finance team was short staffed during 2020 due to COVID and being assigned to NEOC/COVID 19 response, therefore, the Ministry was unable to fully address this point though some improvements were made during the 2019 financial year. Currently the IRIS fixed asset reports are not accurate and results in much longer time required to reconcile the assets.</p> <p>Management has noted the recommendations and will aim to improve the quality of the records in future periods and expect much less issues of this nature going forward. All assets to be capitalized will be completed for 2020.</p> <p>In the absence of a Government wide policy on property, plant and equipment, the Ministry has its own guidelines within the Ministry's Internal Accounting Policies.</p>
<p>Potential conflict of interests (Recurring)</p> <p>Employees who are involved with organizations outside of government are required to submit an application to undertake outside gainful employment. In some cases, employment outside of government may conflict with the individual's current role.</p> <p>In conducting the audit, it was revealed that once approved, there is no evidence of the measures taken to ensure that the potential conflict of interest</p>	<p>Management has noted the recommendation and will review procedures relating to Private Gainful Employment to ensure that the conflict of interest concerns raised are addressed.</p> <p>The Ministry is looking to develop a register of Private Gainful Employment approvals as to assist with monitoring of potential conflicts of interest.</p>

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS

Observation	Management Response
<p>is managed and the necessary controls are in place to mitigate the likelihood that the employee's private capacity interests improperly influence the performance of their duties and responsibilities.</p>	
<p>Lack of business case and monitoring of overtime (Recurring)</p> <p>Consistent with prior years, this account balance is significant. For the 12-month period ended 31 December 2019, overtime expense was \$3.7m for Fire and Prison, representing a continuous increase in the overtime balance. There were no business cases to support the majority of the overtime expenditure and no evidence that the overtime expense is being closely monitored to mitigate any potential abuse.</p>	<p>Management has noted the recommendations. Both CIFS and HMCIPS SMT have carried out and will continue regular monitoring and analysis of their overtime expenditure. Both agencies have ongoing recruitment which will result in continued reductions to overtime going forward. CIFS has introduced control measures reducing minimum crew levels in order to minimize overtime expenditure. Both Prison and Fire have increased their monitoring of overtime and this is being scrutinized regularly. With agencies that provide emergency essential services, business cases are not always practical or possible under emergency conditions.</p>
<p>Quality of Financial Records and Review Processes (Recurring)</p> <p>There has been a significant improvement in the quality of the financial records and review process when compared to the prior year. However, the following still remain deficient:</p> <ul style="list-style-type: none"> • Few audit schedules with unreconciled differences such as mass additions and inventory. • Unrecorded liabilities were identified for one expense relating to the 2019 financial period. • Prior-year adjustments incorrectly posted in the current year. • Over accrual of expenses. • In preparing the financial statements, comparative information did not agree to the prior year financial statements and the appropriate relevant disclosures not included in the financial statements. • Budget supplemental was not adequately captured in the final budget numbers included in the financial statements. 	<p>Progress has been delayed in the first part of 2020 due to COVID and the finance team being assigned with responsibilities relating to NEOC/COVID 19 response.</p> <p>Management has noted the recommendations and will aim to continue with efforts for the improvement in the quality of the financial records going forward and expect much less issues of this nature.</p> <p>In relation to budget supplemental, there are many instances where the final budget change approvals are not communicated directly to the Ministry by Ministry of Finance therefore the information is not known or available at the time financials are being prepared. We have requested that our Ministry be regularly informed on any budget supplemental approved in relation to our budgets going forward.</p>

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS	
Observation	Management Response
<ul style="list-style-type: none"> Employees were omitted from the outstanding vacation accrual schedule and incorrect number of outstanding days. 	
<p>Related Party Disclosures (Recurring)</p> <p>Related party disclosures are not adequately assessed on submission of register on interest forms for impact on financial statement disclosures.</p>	<p>Management has noted the recommendation and will aim to put a process in place for assessing of related party disclosures as well as updating the register with any changes during the financial year. The previous commitment for this was 2020 Financial Year but there has been significant delay with refocus of the Ministry's Finance team time and efforts on COVID19 related activities of the NEOC and support for isolation facilities.</p>
<p>Duplication of Comp time hours in TRS</p> <p>In 2019, Time in lieu was transferred from the leave tracker system to Time Recording System (TRS) effective December 2017. During the audit, it was revealed that the hours were erroneously transferred to TRS and was misrepresented as comp time earned but not taken.</p>	<p>The initial transfer of the comp time hours being referred to and the related increase in liability was reversed and a full audit of the hours to be transferred was conducted. The hours to be updated in TRS have been fully verified and supported with employee records and the liability updated accordingly.</p> <p>In future, any such transfer of comp time hours into TRS will be reviewed and approved by the Ministry prior to being finalized.</p>

MINISTRY OF INTERNATIONAL TRADE, INVESTMENTS, AVIATION AND MARITIME AFFAIRS	
Observation	Management Response
<p>Timely processing of information at the London Office</p> <p>During the course of the audit we experienced delays in the provision of requested documents and in some instances information could not be provided due to the COVID-19 related lockdown. We noted that the requested documents related to the transactions carried out by the London office which are kept in hard copy. Consequently, due to the closure of the business office in the UK because of the COVID-19 pandemic, the staff could not retrieve those documents to scan and send over for the audit. An example of such information requested is</p>	<p>When the London Office was transferred to the Ministry in April 2019 work commenced to improve records management.</p> <p>Prior to the Pandemic, the Ministry began to train staff and modify and change the procedures of the London Office to a more digital format.</p> <p>All records relating to the London Office and the Ministry have been moved to a digital format that is accessible to those authorized and was completed prior to the issuing of this report.</p>

MINISTRY OF INTERNATIONAL TRADE, INVESTMENTS, AVIATION AND MARITIME AFFAIRS	
Observation	Management Response
<p>evidence of compliance with the procurement regulation/policy for fixed assets acquired during the year by the London Office.</p> <p>This information could not be accessed remotely and provided for the audit purposes because they were kept in hard copy and therefore could not be accessed because of the lockdown.</p>	<p>Therefore, we accept this recommendation and have implemented the required processes and technology.</p>

PORTFOLIO OF THE CIVIL SERVICE	
Observation	Management Response
<p>Purchase orders are not being cleared/adjusted</p> <p>Purchase orders (PO) were included in the 20160 expense AP accrual account that was not being cleared/adjusted on a timely basis. The most probable scenario in processing that gives rise to this deficiency would be that a PO is raised and/or for which goods or services were received; however, when the invoices are received an entirely new transaction is created, which duplicates the previously created PO.</p>	<p>Management is in agreement with the recommendation.</p> <p>However, the situation did not stem from the scenario noted by audit. POs were being matched, but because all lines in the PO were not matched entirely to the invoice, the PO remained in the report.</p> <p>We have implemented a detailed review of the report and are making the necessary corrections in the PO module.</p>
<p>Long outstanding receivables</p> <p>During the course of the audit, it was noted that an amount of \$190,075 was still receivable from the Cabinet Office for Executive MLA salary receivable from the 2018 financial year.</p>	<p>Management is in agreement with the recommendation.</p> <p>Efforts continue to be made to collect the outstanding balance. This receivable is as a result of a courtesy extended to the Cabinet Office to facilitate the payment of MLAs' Constituency Allowances during payroll. PoCS is liaising with the Cabinet Office to collect the arrears. However, if the matter cannot be reconciled in a timely manner, then we may need to revert to our separate processes. We note that it is now possible for electronic funds transfers to be made for local AP transactions.</p>

PORTFOLIO OF LEGAL AFFAIRS	
Observation	Management Response
<p>Unrecorded liabilities The engagement team identified an instance where management did not record all expenses and associated liabilities relating to litigation costs in the correct accounting period.</p>	<p>Management accepts the recommendation.</p>
<p>Inadequate maintenance of books and records and supporting documentation The engagement team identified instances where management was not able to provide supporting documents for audit requests. This indicates the inadequate maintenance of books and records.</p>	<p>The items referred to above are historical in nature. We were unable to provide the historical information due to the fact that documentation is kept at an offsite storage facility which we were unable to access during the COVID situation. Management undertakes to review these items and clear where no longer valid.</p>

OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS	
Observation	Management Response
<p>Risks noted related to the witness protection process The Justice Protection Administration Centre (JPAC) within the Office of the Director of Public Prosecutions (ODPP) is mandated by the Justice Protection Law to provide protection and assistance to persons who have been accepted as participants into the witness protection programme. JPAC is responsible for all reasonable financial assistance for protected persons. The Justice Protection and Investigation Agency (JPIPA) within the RCIPS is responsible for the day to day protection of protected persons and liaise directly with such persons. All payments made to and on behalf of protected persons as well as expenses incurred by JPIPA officers in the protection of protected are the responsibility of JPAC and are subject to the prior approval of the Director of JPAC.</p> <p>Funds are disbursed to the relevant officers by RCIPS and then remitted to the relevant persons/entities. Records of all payments and transactions are retained by the RCIPS in a secure environment. These records are made available to JPAC for</p>	<p>There are appropriate controls in place to verify that all payments made to or on behalf of the participants in the witness protection programme are made to the intended beneficiary. Records are kept of all transactions which include signed receipts and invoices establishing proof of payment. These records are individually reviewed by the Director of JPAC on a monthly basis before approval is given to reimburse costs to the JPIPA. As recommended, Management undertakes to document these processes which are already in place.</p>

OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS

Observation	Management Response
<p>inspection and review. Invoices for reimbursement of expenses are submitted on a monthly basis to JPAC. The Director of JPAC reviews the records of payments and transactions before approval for reimbursement is made. This provides clear and reasonable control of expenditure made while safeguarding the security of the programme.</p> <p>The process described by management has not been put in writing. While the Director of JPAC documents her approval to reimburse the JPIPA (RCIPS), it was not clear that the review process includes the verification of payments being received by the intended payees. During the audit, we obtained satisfactorily from her a confirmation to this effect because the process in practice has not embedded this step.</p>	

APPENDIX C – FINANCIAL PERFORMANCE OF STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES (SAGCS)

98. This section of the report provides a general financial assessment of SAGCs for which an audit was completed. Unaudited numbers from the draft financial statements have been used for those entities whose audits are still in progress for the 2019 fiscal year. Where draft financial statements showing unaudited numbers are unavailable, budget numbers have been used.

REVENUE FROM GOVERNMENT

99. A key source of revenue for most SAGCs is from providing various services to the general public on the behalf of government as agreed in their respective ownership and purchase agreements. For the year 2019 SAGCs generated revenues totaling \$60.0m for providing services (outputs) to Government and \$638.3m of revenues from other sources. Exhibit 17 provides the amount of revenue by source for each SAGCs.

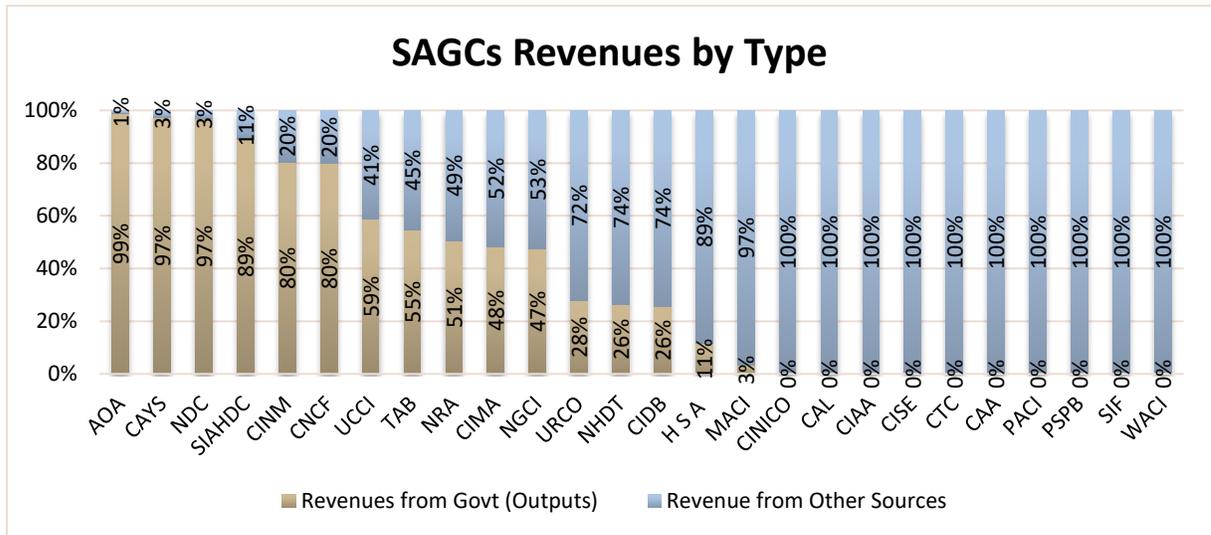
Exhibit 17: SAGCs Revenues by Type for the year ended 31 December 2019

SAGC	Revenues from Govt. (Outputs)	Revenue from Other Sources	Total Revenue
Cayman Islands Monetary Authority	18,439,000	19,729,000	38,168,000
Health Services Authority	14,394,290	110,853,255	125,247,545
National Roads Authority	10,583,525	10,370,384	20,953,909
University College of the Cayman Islands	5,528,940	3,893,746	9,422,686
Children & Youth Services Foundation	3,100,000	84,768	3,184,768
Tourism Attractions Board	2,000,000	1,655,201	3,655,201
Utilities Regulation and Competition Office*	1,238,476	3,210,175	4,448,651
Cayman Islands National Museum	855,000	209,261	1,064,261
Cayman National Cultural Foundation	760,000	192,269	952,269
National Drug Council	668,605	21,043	689,648
National Gallery of the Cayman Islands	586,000	650,437	1,236,437
National Housing Development Trust	581,000	1,615,000	2,196,000
Cayman Islands Development Bank	566,768	1,650,799	2,217,567
Maritime Authority of the Cayman Islands	343,396	10,000,317	10,343,713
Auditor Oversight Authority	315,000	3,500	318,500
Sister Islands Affordable Housing Development Corporation	56,000	7,000	63,000
Cayman Islands National Insurance Company	-	95,736,844	95,736,844
Cayman Airways Limited*	-	75,441,000	75,441,000
Cayman Islands Airport Authority*	-	41,403,685	41,403,685
Cayman Islands Stock Exchange	-	3,165,659	3,165,659
Cayman Turtle Conservation and Education Centre Limited	-	8,138,766	8,138,766
Civil Aviation Authority	-	8,282,191	8,282,191
Port Authority of the Cayman Islands	-	26,569,405	26,569,405
Public Service Pensions Board	-	172,779,000	172,779,000
Segregated Insurance Fund	-	5,675,100	5,675,100
Water Authority of the Cayman Islands	-	36,918,629	36,918,629
Total	60,016,000	638,256,434	698,272,434

*Note: The figures for URCO, CAL and CIAA are budgeted amounts as the 2019 audits are incomplete at the time of this report.

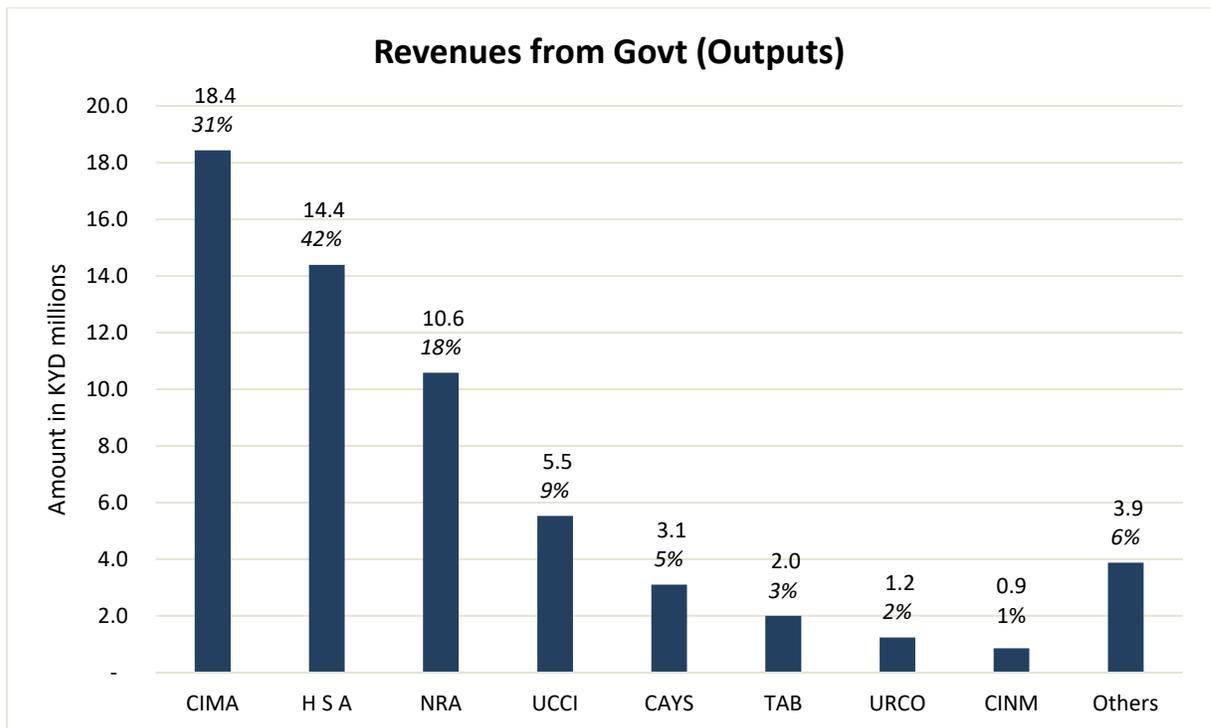
100. In some instances the revenue from the Government represents more than 50% of the respective SAGC's total revenue and without it they would not be able to sustain their operations. Exhibit 18 shows the proportion of revenues from the Government and revenue from other source for SAGCs for 2019. Exhibit 18 also shows that 9 out of 26 entities rely on more than 50% of government revenue.

Exhibit 18: SAGCs Government Revenue vs. Revenue from other sources, 2019



101. Of the \$60.0m of revenue sourced from the Government for 2019, \$48.9m (82%) was billed by four entities, the most significant being the Cayman Islands Monetary Authority billing \$18.4m of revenue (representing 31% of total revenue from Government for the year). HSA is the second highest at \$14.4m (24%) followed by NRA and UCCI at \$10.6m (18%) and \$5.5m (9%) respectively. The remainder of the entities account for \$11.1m (18%). Exhibit 19 below shows the top billers of output revenue.

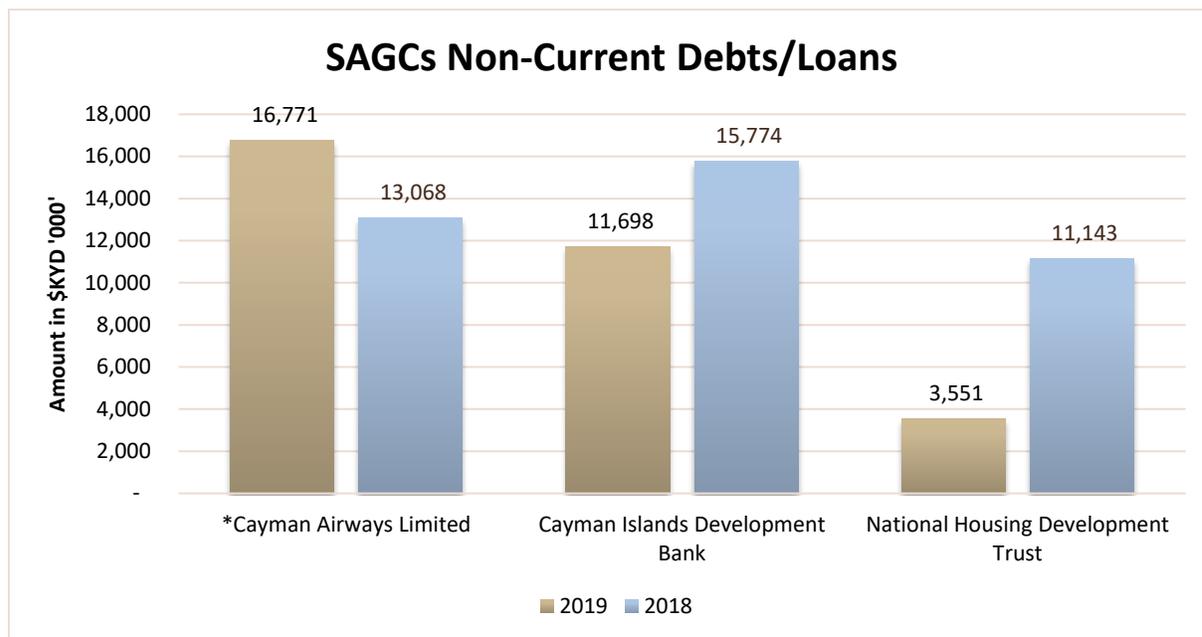
Exhibit 19: SAGCs top billers of output revenue, 2019



NON-CURRENT DEBTS/LOANS

102. The total non-current portion of debts/loans of SAGCs as at 31 December 2019 had decreased by approximately \$9.7m (24%) compared to the balance at 30 December 2018 from \$40.0m to \$30.2m. This debt was held by three entities as presented in Exhibit 20.

Exhibit 20: SAGCs Non-Current Debts/Loans – 2019 vs. 2018



**Budget amount used as the 2019 audit is on-going.*

103. Government provides the guarantee for the debt held by CAL, CIDB and NHDT.

POST-RETIREMENT HEALTH CARE OBLIGATIONS

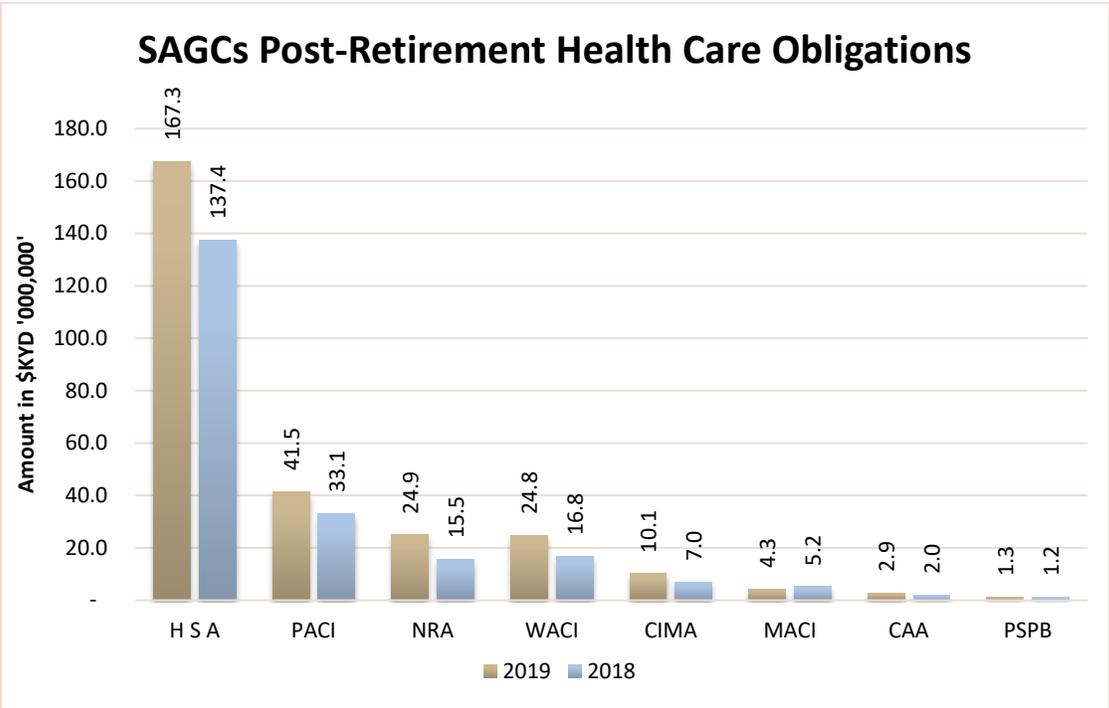
104. During the 2016–17 fiscal period a decision was made by the Ministry of Finance that all SAGCs who had employees that were deemed eligible to receive post-retirement health care benefit should reflect this obligation in their respective financial statements.

105. To be eligible for these benefits employees of SAGCs had to have been previously employed with central government and been transferred to a SAGC, worked no less than ten years in the public service and retired from the public service.

106. The total Post-Retirement Health Care Obligation for the audited entities increased by 27% from \$218.1m in 2018 to \$277.2m in 2019. This increase was largely attributed to the actuarial valuations received for 2019. The values from CIAA have not been included in above amount as the audit is still on going for 2019, 2018 and 2016–17.

107. Exhibit 21 shows the obligations based on actuarial valuations that were recorded in 2019 and 2018 for the eight SAGCs with eligible employees.

Exhibit 21: SAGCs Post-Retirement Health Care Obligations – 2019 vs. 2018

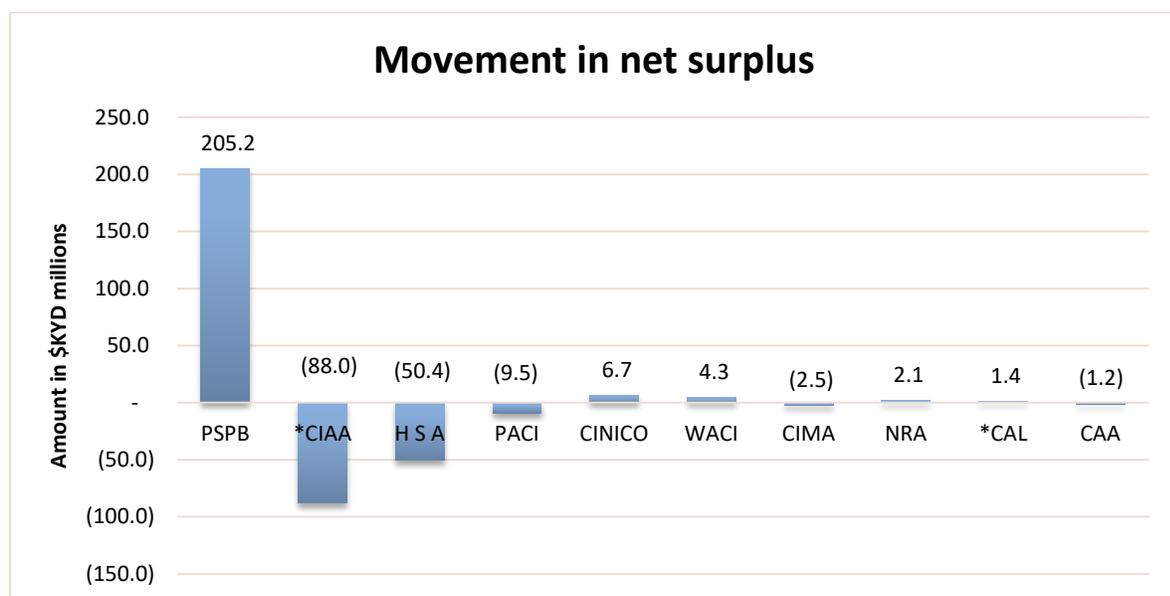
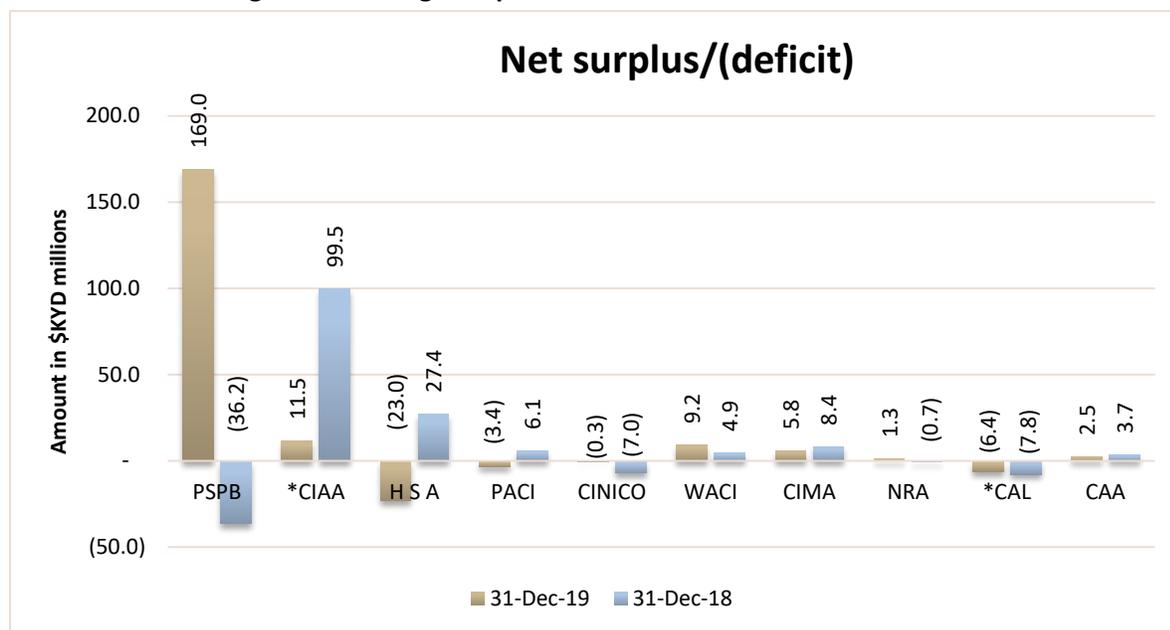


The Cayman Islands Airport Authority has not been included on the graph above because the 2019 and 2018 audits are on-going.

CHANGE IN FINANCIAL PERFORMANCE

108. Exhibit 22 shows the top ten SAGCs that had a significant change in their financial performance in 2019 compared to 2018. It also shows the absolute movement in net surplus/ (deficit) from 2018 to 2019.

Exhibit 22: SAGCs Significant changes in performance – 2019 vs. 2018



Budget amounts have been used for Cayman Airways Limited (2019) and Cayman Islands Airport Authority (2018 and 2019) as these audits are still on-going

109. The most significant changes in financial performance was the shown by the Public Services Pension Board (PSPB) which improved its surplus in 2019 by \$205.2m moving from its 2018 deficit of \$36.2m to a surplus of \$169.0m in 2019. Three entities showed a combined negative movement of \$149.7m, which took their combined net surplus of \$133.0m in 2018 to a combined deficit of \$14.9m in 2019. These were CIAA, HSA and PACI. The next six entities showed a combined net surplus movement of \$10.8m taking their combined net surplus of \$1.5m in 2018 to \$12.3m in 2019.

DEFICIENCIES IN INTERNAL CONTROLS & SIGNIFICANT FINDINGS -SAGCS

110. In this section I have highlighted some of the key instances where it was necessary to draw to the attention of those charged with governance deficiencies in internal controls or significant findings observed during the 2019 audits of SAGCs.

AUDITORS OVERSIGHT AUTHORITY	
Observation	Management Response
<p>Public Authorities Law (“PAL”)</p> <p>Section 7 (2) of PAL requires a public authority to operate as a profitable business and efficient business and contribute to the revenue of core government or, at least, break even in its operations.</p> <p>We noted that AOA recorded a loss of \$17k in 2019.</p>	<p>We make the same response as last year: “The AOA does conduct its affairs in a responsible financial manner as required by the PAL. As far as we are aware, the requirement at S7(2) of the PAL does not necessarily apply to discrete calendar years. Furthermore, the fact that the AOA may budget for a deficit in a particular period does not mean that we are not in compliance, particularly because we take into account the cash resources on hand in determining how much contribution we think we will need from Government to operate”.</p> <p>It should be noted that the AOA relies on Government funding to meet materially all of its expenditures; if we have free cash on hand it makes no sense to budget for a surplus when to do so would entail Government increasing its funding when the AOA does not need it to do so. We have discussed this point with the Ministry.</p> <p>Furthermore, a thorough review of the future of the AOA is in progress, including discussions with Government, the outcome of which will inform its operational structure and cash flows, and funding requirements.</p>
<p>Authority’s policy on independence</p> <p>According to Section 6 (2) (d) of the <i>Auditors Oversight Law (2017 Revision)</i>, not more than 3 directors (including the Chairman and Deputy Chairman) shall be public accountants retired from practice for not less than the period of time determined by Cabinet. This period has not been defined by Cabinet or the AOA Law.</p>	<p>We agree it would be preferable for Cabinet to formally document its current policy, which we understand is for a 3 year “cooling off” period, and we will raise the matter with the Ministry.</p> <p>It should be noted that all current Directors with public practice backgrounds have each been retired from public practice for well in excess of 3 years, and that the AOA has rigorous policies on independence which are strictly applied.</p>

AUDITORS OVERSIGHT AUTHORITY	
Observation	Management Response
<p>Clarity in Purchase Agreement</p> <p>The Purchase Agreement between the Authority and Cabinet is vague and does not clearly describe what outputs the Authority is supposed to achieve. The “output measures” outlined in the Agreement are considered inputs, namely number of hours of activity. It does not reflect the outputs to be delivered or the outcomes. Additionally, the Authority does not have a formal system to accurately track time spent on jobs.</p>	<p>As far as we know, the Purchase Agreement follows a format which was discussed and agreed with the Ministry when the AOA was first established. However, when the next purchase agreement is prepared, we will consider what can be done to improve its clarity. We would not agree that tracking hours spent on various aspects of the business is a meaningful measure of the effectiveness of the AOA. We considered the point after last year’s recommendation and concluded that given the very limited operations of the AOA and the simplicity of its structure, introducing a more rigorous method of tracking hours would not be of value.</p>

CHILDREN & YOUTH SERVICES FOUNDATION	
Observation	Management Response
<p>In 2019 the Board of Directors met in March, however in accordance with section 17 of <i>Public Authorities Law, 2017</i> (“PAL”), “<i>a board shall meet at least once every three months and at such other times as may necessary or expedient for the governance of public authority; and such meetings shall be held at such place and time and on such days as the chairperson may from time to time determine;</i>”</p> <p>It was also noted during the restructuring of the Board in the year that there was more than 40% of members from the Civil/Public sector therefore non-compliance with the below extract from the <i>Public Authorities Law</i> “<i>(a) notwithstanding any other law, the membership of a board shall not be comprised of more than forty percent public or civil servants;</i>”.</p>	<p>In 2019, the CAYS Board was being restructured. For a period of time, the Board did not have a Secretary or Treasurer. At the end of 2019, four new Board members were appointed and a new Board Secretary and Treasurer selected. The Board is currently functioning as per the requirements of the PAL.</p>
<p>When sufficient funds are available, the Foundation has historically (since at least December 2015) paid a small Christmas bonus to staff members, with each member of staff receiving a \$200 bonus for Christmas 2019 at a</p>	<p>Management will consult with the Ministry regarding the interpretation of its annual incentive scheme to ensure we remain compliant with the Public Authorities Law.</p>

CHILDREN & YOUTH SERVICES FOUNDATION	
Observation	Management Response
total expense to the Foundation of \$9,400. The bonus is not performance based, is typically \$100 or \$200 per employee, is only paid if there are sufficient funds available and is approved by the General Manager and Chairman of the Board. Review of the Foundation's employee policies handbook and inquiry with management identified that the Foundation has not formalised the Christmas bonus as part of the Foundation's policies.	

CAYMAN ISLANDS DEVELOPMENT BANK																									
Observation	Management Response																								
<p>High delinquency rate (current and prior years)</p> <p>The CIDB delinquency rate reduced over prior year yet remains extremely high. Delinquent loans stood at \$10,721,501 as of December 31, 2019 representing 51% of the entire loan portfolio [\$13,542,381 as of December 31, 2018, representing 53% of the total loan portfolio]:</p> <table border="1"> <thead> <tr> <th>Loan Category</th> <th>2019</th> <th>2018</th> <th>2015-16</th> </tr> </thead> <tbody> <tr> <td>Performing Loans (a)</td> <td>10,463,122</td> <td>12,168,473</td> <td>16,050,895</td> </tr> <tr> <td>Non-Performing Loans (b)</td> <td>10,721,501</td> <td>13,542,381</td> <td>17,136,960</td> </tr> <tr> <td>Gross Total Loans (c)</td> <td>21,184,623</td> <td>25,710,854</td> <td>33,187,855</td> </tr> <tr> <td>Performing Loans % (a/c)</td> <td>49%</td> <td>47%</td> <td>48%</td> </tr> <tr> <td>Non-Performing Loans % (b/c)</td> <td>51%</td> <td>53%</td> <td>52%</td> </tr> </tbody> </table>	Loan Category	2019	2018	2015-16	Performing Loans (a)	10,463,122	12,168,473	16,050,895	Non-Performing Loans (b)	10,721,501	13,542,381	17,136,960	Gross Total Loans (c)	21,184,623	25,710,854	33,187,855	Performing Loans % (a/c)	49%	47%	48%	Non-Performing Loans % (b/c)	51%	53%	52%	<p>This is an ongoing observation resulting from legacy debt that the bank has made full provision of the old debt. The board approved the write down of \$1.987m in 2019 however, due to limited new loan growth, the performance of the portfolio only saw a 2% improvement due to limited lending.</p> <p>During 2019 the bank sold several properties under foreclosure totaling \$1.492m.</p> <p>The account relationship Officers/Managers are constantly looking at ways to make collection activities more effective. Reminder letters are generated and mailed to delinquent customers every month and telephone calls are made by the Account Relationship Officers/Managers from the monthly reports that are prepared by the Risk Management Department. Analysis of collection is ongoing.</p>
Loan Category	2019	2018	2015-16																						
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CAYMAN ISLANDS DEVELOPMENT BANK

Observation	Management Response																																
<p>Inadequate collateral assets monitoring</p> <p>The updating of the status of collateral assets is still inadequate. The valuation aging analysis below shows that over 50% of the properties do not have current property valuations/appraisals prepared by accredited Royal Institution of Chartered Surveyors (RICS) Registered Valuers contracted by the Bank. Of this 50%, 18% were over five years and 30% had no valuation dates:</p> <table border="1"> <thead> <tr> <th>Valuation Aging</th> <th>Loan Balance</th> <th>Security Value</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Under 1 year</td> <td align="right">8,495,508</td> <td align="right">18,973,500</td> <td align="right">38%</td> </tr> <tr> <td>1-2 years</td> <td align="right">1,611,476</td> <td align="right">2,267,000</td> <td align="right">5%</td> </tr> <tr> <td>3-5 years</td> <td align="right">2,096,368</td> <td align="right">3,063,080</td> <td align="right">6%</td> </tr> <tr> <td>Over 5 years</td> <td align="right">4,542,561</td> <td align="right">9,129,376</td> <td align="right">18%</td> </tr> <tr> <td>None</td> <td align="right">3,018,757</td> <td align="right">15,137,219</td> <td align="right">30%</td> </tr> <tr> <td>Unsecured</td> <td align="right">1,419,954</td> <td align="right">1,594,185</td> <td align="right">3%</td> </tr> <tr> <td>Grand Total</td> <td align="right">21,184,623</td> <td align="right">50,164,360</td> <td align="right">100%</td> </tr> </tbody> </table>	Valuation Aging	Loan Balance	Security Value	%	Under 1 year	8,495,508	18,973,500	38%	1-2 years	1,611,476	2,267,000	5%	3-5 years	2,096,368	3,063,080	6%	Over 5 years	4,542,561	9,129,376	18%	None	3,018,757	15,137,219	30%	Unsecured	1,419,954	1,594,185	3%	Grand Total	21,184,623	50,164,360	100%	<p>The bank took steps to put in place a system to obtain updated property valuation reports for all loan facilities that are secured by Real Estate. The lending policy was also updated to reflect the frequency that updated property valuation reports will be obtained for loans secured by Real Estate. In the past, the practice was to use the last property valuation on file for loan provisioning purposes but that has changed in recent years to obtain property valuation reports at least every three to five years.</p>
Valuation Aging	Loan Balance	Security Value	%																														
Under 1 year	8,495,508	18,973,500	38%																														
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<p>Lack of an appropriate internal audit function</p> <p>The Bank was without an internal audit function for most of the review period except for an independent Anti-Money-Laundering and Countering Financing of Terrorism (AML/CFT) audit conducted in 2017. An appropriate effective risk-based internal audit function for the prevention of ML/TF is required by the Anti-Money Laundering Regulations (2018 Revision) section 5 (ix) and the Guidance Notes on the prevention of ML/TF in the Cayman Islands issued by the Cayman Islands Monetary Authority pursuant to section 34 of the <i>Monetary Authority Law (2018 Revision)</i>.</p>	<p>Our AML/CFT/PL Internal Audit policy was amended and approved in November 2018 to stipulate that the internal audit will be conducted every three years. Our next AML/CFT/PL Internal Audit is scheduled to be conducted in November 2020 by an independent service provider.</p>																																
<p>Portfolio mix not at recommended level</p> <p>The current portfolio mix is outside of the Board approved limits from July 1, 2017:</p> <table border="1"> <thead> <tr> <th>Loan Type</th> <th>Mix at 1/7/17</th> <th>Actual Mix @ 31/12/18</th> <th>Actual Mix @ 31/12/18</th> <th>Variance</th> </tr> </thead> <tbody> <tr> <td>Mortgage</td> <td align="center">25%</td> <td align="center">37%</td> <td align="center">42%</td> <td align="center">-5%</td> </tr> <tr> <td>Debt Consolidation</td> <td align="center">30%</td> <td align="center">23%</td> <td align="center">20%</td> <td align="center">3%</td> </tr> <tr> <td>Business</td> <td align="center">30%</td> <td align="center">27%</td> <td align="center">24%</td> <td align="center">3%</td> </tr> <tr> <td>Student</td> <td align="center">15%</td> <td align="center">13%</td> <td align="center">14%</td> <td align="center">-1%</td> </tr> <tr> <td>Consumer</td> <td align="center">0%</td> <td align="center">0%</td> <td align="center">0%</td> <td align="center">0%</td> </tr> </tbody> </table>	Loan Type	Mix at 1/7/17	Actual Mix @ 31/12/18	Actual Mix @ 31/12/18	Variance	Mortgage	25%	37%	42%	-5%	Debt Consolidation	30%	23%	20%	3%	Business	30%	27%	24%	3%	Student	15%	13%	14%	-1%	Consumer	0%	0%	0%	0%	<p>Noted however, the majority of the \$1.987m in write downs were business loans. This contributed to the overall percentage of the mortgage portfolio reporting a variance. It is not reasonable to therefore suggest that this is indicative of poor loan portfolio management as realization of assets occur at different rates based on market demand. In addition the small number of new NHDT mortgages that</p>		
Loan Type	Mix at 1/7/17	Actual Mix @ 31/12/18	Actual Mix @ 31/12/18	Variance																													
Mortgage	25%	37%	42%	-5%																													
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Student	15%	13%	14%	-1%																													
Consumer	0%	0%	0%	0%																													

CAYMAN ISLANDS DEVELOPMENT BANK					
Observation					Management Response
Total	100%	100%	100%	0%	<p>were booked are not considered high risk versus a business loan.</p> <p>The board is in the process of revising the Credit Policy to address the current mix to advise CIMA.</p>
<p>No Audit & Credit Committee meeting minutes</p> <p>No minutes of the Audit & Credit Committees were presented for review. Without keeping corporate minutes there is little or no evidence that meetings are held and no record of corporate actions taken. This deficiency in corporate minutes can foster mediocrity in corporate governance.</p>					<p>Noted. Issues that would be handled by the 2 sub committees have been addressed at the entire board level.</p> <p>The credit and audit committees will commence quarterly meetings to provide better oversight going forward.</p>
<p>Provisioning policy requires revision</p> <p>The provisioning policy needs to be updated for the loan classifications considered as secured. The bank classifies loans as secured and unsecured based on the type of collateral. In general, loans which have first charge, guarantees and second charge, are deemed to be secured. All other loans were deemed unsecured. In the prior year only loans having a first charge were deemed secured.</p>					<p>The provisioning policy has since been Board approved and the audit committee will review on an annual basis.</p>
<p>Limited lending for most of 2019</p> <p>The Bank was stagnant for most of the year with no substantial lending taking place until the Board actioned the Strategic Plan in the last quarter of 2019.</p>					<p>The bank commenced the roll out of its new Mortgage Program "NHDT"</p> <p>As stated, the strategic plan was not approved until the last quarter in 2019. Part of the plan was to rebrand the bank prior to launching additional loan products that did not materialize.</p>

CAYMAN ISLANDS NATIONAL INSURANCE COMPANY	
Observation	Management Response
<p>Plan documents</p> <p>Consistent with our management reports for the audits completed from 2014 - 2018, we noted that a number of the plan documents were not signed/authorised appropriately. In addition, we noted two instances of</p>	<p>Management and staff have completed a detailed review of all plan documents in 2019, and are implementing.</p>

CAYMAN ISLANDS NATIONAL INSURANCE COMPANY

Observation	Management Response
<p>discrepancies between the administration of the plans offered by CINICO and the detail contained within the plan documents. The first discrepancy relates to Cayman Islands Government Group 30102 Plan 30102-01 Social Programs (“Indigent Plan”) for which CINICO provides administration services. The plan is not for the employees of Cayman Islands Government as stated in the plan document and CINICO is not the plan sponsor. The second discrepancy relates to Cayman Islands Government Group 30101 Plan - Plan 30101-10 Employed Spouses and Children of Seafarer’s and Veterans (“Plan 30101”). The plan document for Plan 30101 states that covered dependents include an employed spouse, however dependent benefits terminate when the spouse becomes employed.</p>	
<p>Assessment of eligibility</p> <p>Consistent with our management reports for the audits completed from 2014 - 2018, and as is common with many insurance companies, we observed that retro-active premium adjustments are required as a result of changes in the eligibility information received from various government entities. Retro-active premiums from subsequent months are adjusted in the financial statements. CINICO has not yet formalized a defined cut-off period for which the Company will provide premium credits or charges relating to incorrect member eligibility information they receive.</p>	<p>CINICO is recording the prior periods adjustments in the proper accounting period, however as noted in the recommendation, CINICO would include on retro-adjustments in its summary plan document, which is related to Observation 1.</p>
<p>Non-compliance with CIMA</p> <p>At December 31, 2019, CINICO was not in compliance with the prescribed capital requirements as stipulated in The Insurance (Capital and Solvency) (Class A Insurers) Regulations, 2012 (the “Regulations”).</p>	<p>As at December 31, 2019, CINICO was \$2.2m over CIMA's Minimum Capital Requirement, and \$554k below the Prescribed Capital Requirement (PCR). The underlying cause for the non-compliant position to PCR was a new accounting treatment (IFRS-16 Accounting for leases). IFRS-16, which became effective on January 1, 2019, requires an entity to record the present value of future lease payments as an asset. In adopting this policy CINICO recorded an asset of \$700k for its leased premises. The CIMA capital model required</p>

CAYMAN ISLANDS NATIONAL INSURANCE COMPANY

Observation	Management Response
	<p>approximately a one for one match in capital, despite this not being a tangible asset, Although it is acknowledged that this change in accounting policy could not have been anticipated by CIMA when the original capital calculation model was developed, CIMA confirmed that CINICO must apply IFRS16 when calculating the required capital. However, given that CINICO was \$2.2m over the MCR, CIMA provided the CINICO until the end of the 2nd 2020 quarter to rectify any non-compliance with PCR. By this time CINICO would have a better picture of its true capital needs and take the necessary course with its Shareholder.</p>
<p>Reviews of claims paid</p> <p>It was noted that there were instances where amounts paid to SHIC members exceeded the plan limit of \$100,000. These exceptions were not identified by the claims adjudication system.</p>	<p>The one instance in question was caused by a timing difference between the date an overseas claim (UHC) was approved for payment, to the time the claim was loaded in the Hi-tech adjudication system; at which time it becomes part of the running accumulator, Management has instructed Hi-tech to load the overseas claims more promptly. In addition, once an overseas claim is approved, the Claims Manager will put a "hold" on the accumulator for the amount approved. This has the effect of reserving this amount until the claim is uploaded, and will prevent any subsequent claim from being paid, if the accumulator goes above \$100,000.</p>
<p>Absence of CMO Approval</p> <p>It was noted that one claim in our sample was paid to a service provider outside of the CIHSA network, however no approval from the Chief Medical Officer (CMO) was obtained for the claim. CMO approval is required for all claims outside the CIHSA network.</p>	<p>It is to be noted that the said claim, did in fact have a CMO approval. However, the CMO approval reached its expiration date, as it is only valid for 3 months. The claims adjudicator overlooked the date on the CMO approval. Management has re-emphasized the importance of accuracy to all adjudicators and keeps a log of claim adjudication errors, which is used to provide additional training.</p>
<p>Information Technology Policy</p> <p>It was noted that the Company does not have a defined Information Technology policy.</p>	<p>Noted. Although there is no formal Information Technology Policy, CINICO does follow robust processes in ensuring the IT assets are protected. We have employed the latest safeguards and have built redundancy around the protection of data. In our current HR staffing plan, we have identified the post of an IT manager who will be charged with the responsibility of creating the IT policy.</p>

HEALTH SERVICES AUTHORITY

Observation	Management Response
<p>No Compliance and Internal Audit review on revenue</p> <p>The Health Authority implemented the Three Lines of Defense model in 2017 for the oversight of controls which includes setting up a Compliance Department and outsourcing of internal audit function to the CIG’s Internal Audit Service.</p> <p>As at 31 December 2019, no compliance audit or internal audit report was prepared for revenue and receivables.</p> <p>In addition, the compliance audit program and road map is still draft form.</p>	<p>Agreed there has been no formal audit specific to the Revenue Cycle during the 2019 year. However, the HSA worked with Internal Audit Services to focus on processes in other areas which impact the organization.</p> <p>Having said that, Management did work to review and agree a roadmap for establishing a more comprehensive Compliance Department, which would oversee not only Financial compliance, but also Clinical, and Regulatory. To this end, an RFQ was issued in late February 2020, to determine an expected level of pricing and whether or not establishment of a full Compliance Department should go out to Tender via bonfire. Unfortunately the process has been temporarily on hold while the hospital has dealt with the COVID crisis. It is anticipated that this project will be picked back up in Q2 2020.</p> <p>It is also important to note that from January 2018 the HSA implemented the role of the Revenue Accountant, as an added layer of review. This Finance team member reviews the cost center managers’ daily revenue reports, ensuring any issues or concerns with revenue completeness are followed up and addressed on a timely basis.</p>
<p>Clean up long outstanding Accounts Receivable (AR) credits (GL 12403 account)</p> <p>As at 31 December 2019, total outstanding AR credits amounted to \$2.6m (2018: \$2.5m) of which \$1.5m are over 365 days (2018: \$1.6m). This amount is presented as Other Liabilities in the financial statements.</p> <p>AR credits are due to the following:</p> <ul style="list-style-type: none"> • Patient paid larger co-pay than was necessary or no co-pay was necessary; • Duplicate or incorrect charges were reversed after the patient or insurance provider had already provided payment; • Patient paid deposit upfront and then left without being seen or cancelled appointment; • Duplicate billing; • Duplicate billing to a secondary insurer. 	<p>A large number of the credit balances which were brought over from the 2018 financial year-end have been cleaned up, and the team continue to work on newer individual cases.</p> <p>There remain a large volume of older credit balances which will need to be either applied to the relevant patient’s balances, or refunded where duplicate payments have been received, once historical data can be accurately assessed, and unfortunately this is a manual process. The review has been extensive, including working with a third-party agency during 2019 to assist with the volume of encounters.</p>

HEALTH SERVICES AUTHORITY	
Observation	Management Response
Subsequent to the yearend, \$325k was cleared as a result of application to subsequent charges, refund and write-off.	

MARITIME AUTHORITY OF THE CAYMAN ISLANDS	
Observation	Management Response
Aging report was received late.	Management undertakes to rectify this matter and have the Aged Accounts Receivable available for the audit in a timely manner.
The fixed asset register under the new GP package is not user friendly as it does not show the acquisition date and the depreciation amounts and results in difficulty in determining asset ages and depreciation levels.	Management undertakes to correct this matter and ensure the availability of a complete draft FAR with subsequent updates, if necessary, for the year end 2020.
No impairment assessment conducted on fixed assets in the current year.	Prior year: Management undertakes to ensure that a system is developed and implement prior to the conclusion of the 2019 financials being completed.

CAYMAN ISLANDS NATIONAL MUSEUM	
Observation	Management Response
<p>No evidence that Board of Control (BOC) declared their Notice of Interest (NOIs)</p> <p>Board of Control members normally declare their Notice of Interest to identify any related parties to the entity. This was however not done in the current year. During the audit, it was noted the Board of Control was not in place and no appointments were made until the 3rd quarter of 2019.</p> <p>The <i>Standards in Public Life Law</i> has now come into force, which sets out new</p>	<p>Board members are appointed by Cabinet, management sent reminders at relevant times advising the Ministry of the expiration of the previous Board.</p> <p>The complete declaration of interest was not possible until the Board was appointed as it included new members.</p> <p>This has been completed.</p>

CAYMAN ISLANDS NATIONAL MUSEUM

Observation	Management Response
<p>requirements for Board of Control members to declare interests.</p>	
<p>Board of Control (BOC) not in place as of 1 January 2019.</p> <p>During the audit, it was noted the Board of Control was not in place as of 1 January 2019 to the date of this report. The terms of the board members expired on 31 December 2018 and no appointments were made until the 3rd quarter of 2019.</p> <p>According to paragraph 5 of the <i>Museum Law (1999 Revision)</i>, Control of the Museum 'The Museum shall be under the direction of a Board of Control consisting of a Chairman and not less than four nor more than six other members all to be appointed, from time to time by the Governor, to hold office at his pleasure. Furthermore, the paragraph 8 of the <i>Public Authorities Law (2017 Revision)</i> states as follows, 'Notwithstanding any other law, a public authority shall have a board, by whatever name called, consisting of a chairperson and not less than four other members.'</p>	<p>Management notes and agrees with the recommendation. As outlined in the preceding response, the Board is appointed by Cabinet, management sent multiple reminders; however, the appointment process and period was outside of management's control.</p> <p>This was completed, the new Board was appointed in the 3rd quarter of 2019</p>
<p>Deficiencies in the inventory count procedures</p> <p>Some aspects of the inventory count process were not in line with good practice, for example:</p> <ul style="list-style-type: none"> • There was only one person counting and one person recording the count. • The procedures do not ensure that the counting is verified by another person (e.g., the items counted by the one individual counting by themselves were not verified) <p>It was also noted that the results of the inventory count yielded various discrepancies between the inventory balances as per the inventory system and the inventory count. There were also no explanations for the differences.</p>	<p>Management accepts this recommendation and will utilize a team consisting of at least 4 persons for the 2020 count.</p> <p>The procedure will also be revised to ensure each item is first counted, and separately verified by another individual before recording the confirmation.</p>

CAYMAN ISLANDS NATIONAL MUSEUM	
Observation	Management Response
<p>Limited activity on Restricted Funds receipts</p> <p>It was noted that there is very limited activity on the restricted funds during the period ended 31 December 2017, year ended 31 December 2018, and 31 December 2019. Many of these restricted funds have been in place for several years with minimal activity. However, management has not demonstrated any plans for these funds in the future.</p>	<p>Restrictions on the balances in the "Restricted Funds" account are specified by the donor of those funds (which essentially sets the policy for its use). During the period observed (2017-2019), funds were utilized for the acquisition of artefacts (\$775), Collections Preservation (\$4,657), delivery of educational programmes (\$1,588), and toward the acquisition of permanent exhibits (Miss Annie Animatronic figure).</p> <p>The restricted fund balances represented approximately 12% of the Museum's cash assets as at 31st December 2019, further, it is not unusual for museums to receive and hold donor funds over several years pending the organization meeting the donor specified requirements for the use of such funds.</p>
<p>No established procedures for limited activity on Contingency reserves</p> <p>It was noted in the prior year's audit that there were no formal policies and procedures for the use of the contingency reserve in place.</p> <p>We note that there is still no formal policy or procedure in place making it unclear as to what circumstances the contingency reserves can be used.</p>	<p>Management accepts this recommendation and will seek board approval of a policy to govern the Contingency reserves.</p>

NATIONAL DRUG COUNCIL	
Observation	Management Response
<p>Non-compliance with the Public Authorities Law</p> <p>It was identified during our testing that the Board had not met the requirements of Section 17 (1) of the <i>Public Authorities Law</i> which requires the Board to meet at least once every three months.</p>	<p>The NDC acknowledges the outcome of the review and processes will be put in place to ensure that the NDC's Board is in compliance with the requirements of Section 17 (1) of the <i>Public Authorities Law</i> which requires the Board to meet at least once every three months.</p> <p>Please note that the NDC Board of Directors held its first meeting on 20 February 2020 and in accordance with the Minutes of the meeting of the Council, held on 20 February 2020, a request was made to schedule and calendar all upcoming board meetings for the remainder</p>

NATIONAL DRUG COUNCIL	
Observation	Management Response
	<p>of the year for subsequent meetings. As such, the proposed 3rd Thursday of the second month of each quarter was agreed upon.</p> <p>Board meetings held:</p> <ul style="list-style-type: none"> • 20 February 2020 <p>Board meetings scheduled to be held:</p> <ul style="list-style-type: none"> • 21 May 2020 • 23 July 2020 • 22 October 2020

NATIONAL GALLERY OF THE CAYMAN ISLANDS	
Observation	Management Response
The Gallery does not have a review policy on ongoing contractors.	The Gallery follows the guidelines outlined the Procurement Law and the Procurement Regulations for new contracts. We will set up a policy for reviewing ongoing contractors.

NATIONAL ROADS AUTHORITY	
Observation	Management Response
<p>Value for money</p> <p>The <i>National Roads Authority Law (2016 Revision)</i> (the “Law”) awards NRA up to \$10m out of the Road Fund for the purpose of funding its annual operating cost, in particular, the construction, upgrading, rehabilitation and maintenance of public roads.</p> <p>We noted that the funding is transferred to NRA by the Budget Management Unit in 12 equal installments of \$833k.</p> <p>Further, NRA retains its own internal records of actual costs incurred on a monthly basis relating to this funding. Based on these internal records, \$1.3m of this funding was</p>	<p>This funding is for the day to day operations of the NRA which includes all associated expenses involved with carrying out routine maintenance and rehabilitation of roads. The associated costs of which includes payroll, rent, office supplies, marketing, insurance and all other costs essential to keep the Authority running as an SAGC. The process is essentially as such:</p> <ul style="list-style-type: none"> • Management sets annual budget targets with continuing approval and assessment by its Board of Directors, • The operating costs of the NRA are mostly fixed costs (salaries, depreciation, rent, utilities) along with set target amounts for routine maintenance (bush cutting, potholes, signage/markings upkeep). Annual Routine maintenance targets are more or less fixed based on the limitations of the \$10m

NATIONAL ROADS AUTHORITY	
Observation	Management Response
<p>recorded as revenue in 2019 but was not utilized for initially intended works.</p> <p>Those Charged with Governance should ensure that value for money is obtained by CIG from the funding.</p>	<p>funding and the majority of labor and equipment used to carry out these maintenance functions is done in house.</p> <ul style="list-style-type: none"> During the current period due to directives by Ministry and Board, NRA resources were reallocated preventing performance of planned projects. The additional revenue flows through the surplus for the year to the retained earnings thereby offsetting NRA's negative equity position arising mainly from the post-retirement health liability.
<p>Board of Directors</p> <p>The term of Office of NRA's previous Board of Directors expired on 31 August 2019. However:</p> <ul style="list-style-type: none"> A new Board was not appointed by Cabinet until 17 September 2019. The new Board's appointment was not published in the Government Gazette until October 2019. <p>The new Board held its first meeting on 6 November 2019. As a result, NRA was without a functioning/ active Board of Directors for approximately 2 months.</p>	<p>The appointment of the Board of Directors is out of NRA management control. It should be noted that a lag in Board reappointments is not a typical occurrence.</p> <p>Management further notes that there were no significant strategic issues that needed Board consideration during the 2 month period.</p>
<p>Compliance with the Personnel Regulations (2017 Revision)</p> <p>Section 31 (2) of the Personnel Regulations (2017 Revision) requires a recruitment process to be undertaken for all positions to which staff members have been employed in an acting capacity for a period exceeding 12 months.</p> <p>We noted that NRA's managing Director had been in an Acting capacity for at least 14 months as at 31 December 2019.</p>	<p>Management notes the recommendation of the OAG and advises that the responsibility for the appointment of a Chief Executive Officer/Managing Director of the Authority belongs to the Board and not the management of the Authority.</p> <p>Management continues to prompt the Board regarding the issue and is optimistic that the executive leadership of the NRA will be concluded before the end of 2020.</p>
<p>Policies and procedures manuals</p> <p>The Board terminated the previous Managing Director's employment contract with NRA on 31 October 2018 following an investigation</p>	<p>The Authority agrees with the recommendation and is proactively taking steps to comply. Minutes of the NRA Board (22 May 2019) show that the NRA Board resolved to have management arrange for training in anti-fraud/corruption policies offered by the CIG with a view to adopting CIG's anti-fraud policy. Training was</p>

NATIONAL ROADS AUTHORITY	
Observation	Management Response
<p>into possible misuse of NRA resources (labor, vehicles and inventory “spoils”).</p> <p>Following the dismissal, NRA has not established anti-fraud and whistle-blower policies to help prevent/ detect fraud, including fraud arising from management override of controls.</p> <p>We also noted that NRA does not have a policy governing the usage of its assets e.g. vehicles and equipment.</p> <p>Current year status: CIG anti-fraud policy yet to be formally adopted by the Board of Directors.</p>	<p>arranged however time constraints and other Board commitments prevented Directors from fully engaging in all of the training workshops. The matter was again raised at the Board of Directors meeting of 15 July 2020 and it was resolved that new training dates would be established for the Board as soon as possible in 2020.</p>

PUBLIC SERVICES PENSIONS BOARD	
Observation	Management Response
<p>Lack of formal risk assessment policy</p> <p>There were no formal policies and procedures for identifying and responding to risk factors during the financial year end.</p> <p>However, it is acknowledged that PSPB has taken steps to have formal policies and procedures in place and completed the first phase of the risk and control assessment.</p>	<p>The work in this area has not progressed as previously envisioned. However, the CEO recognizing the critical nature of the role has taken the decision to hire an experienced risk management professional with proven pension industry experience to develop and support this program. Recruitment efforts to fill the position of Manager Risk Support was halted due to the COVID-19 pandemic crisis. Once the country reopens PSPB will be better positioned to resume the recruitment process and benefit from broader pool of candidates.</p>
<p>Non Compliance with Public Authorities Law</p> <p>Board Fees</p> <p>The Board fees (non-civil servants) were increased during the prior financial year from \$250 per meeting to a fixed fee of \$1,000 per month and \$2,000 for the independent overseas trustee.</p> <p>Additionally, the Chairman of the Governance committee is paid \$3,000 per quarter and the new Chairman of the Board is paid \$4,000 per month.</p>	<p>Agreed and steps being taken to bring PSPB in compliance with the Public Authorities Law.</p>

PUBLIC SERVICES PENSIONS BOARD	
Observation	Management Response
<p>Although it was noted that new board fees are approved as part of the budget process; there was no evidence that Board Fees were approved by Cabinet in line with section 13 (1)(2) of the <i>Public Authorities Law</i>.</p> <p>This issue was also noted in the prior year with resolution ongoing.</p>	

TOURISM ATTRACTION BOARD	
Observation	Management Response
<p>Governance - Non-compliance - Board composition</p> <p>Section (6) (a) of the <i>Public Authorities Law, 2017</i> stipulates that “the membership of a board shall not be comprised of more than forty percent public or civil servants.” A review of the board of directors revealed that 60% of its members are public or civil servants.</p>	<p>The Board is aware of this issue and has initiated amendments to the TAB law. When these amendments are approved, the composition of The Board will change.</p> <p>Implementation is in progress.</p>
<p>Non-compliance - key position not advertised</p> <p>The Human Resources Manager position filled during the year was not advertised. The Personnel Management Requirements of The <i>Public Authorities Law, 2017</i> (PAL) required the Board to notify a vacant position in such manner as enables suitably qualified persons to apply for the position.</p>	<p>We accept the recommendation.</p> <p>We will implement immediately.</p>

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS	
Observation	Management Response
<p>Unfunded pension liability</p> <p>It was noted that the Defined Benefit Pension has been underfunded to date. The liability owed to Central Government in relation to future Defined Benefit Pension obligations may not be met due to insufficient resources. We understand UCCI would require additional funding to meet these payments or cut back</p>	<p>The Board first approached the Ministry of Education on 29 November 2016 when they wrote to the then Minister requesting a low interest loan to payout the portion of the debt related to the negative plan asset; no official written response was received. Subsequently, during the 2020/2021 budget submission cycle, UCCI engaged the MOE through its Ownership Agreement (OA), to have the CIG fully fund the 31 December 2018</p>

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

Observation	Management Response
on other core commitments to manage these requirements.	\$1.252m defined benefit pension obligation, the request however did not eventually form part of final OA approved by Cabinet. UCCI intends to continue the dialogue with the MOE to formulate the best strategy to liquidating this debt.
Inventory count adjustments POS inventory balances were not updated to reflect physical quantities determined at the yearend inventory count.	UCCI understands the importance of agreeing physical inventory with perpetual records and the updating POS records after a stock count is our normal practice. This omission was personnel related and the necessary training will be put in place to manage any risk of this being repeated in the future.
Journal processing of unexplained trivial entries Several journal entries lacked explanation. Discussions indicated certain trivial journals had been processed within Blackbaud with no justification or supporting evidence.	UCCI understands the importance of agreeing physical inventory with perpetual records and the updating POS records after a stock count is our normal practice. This omission was personnel related and the necessary training will be put in place to manage any risk of this being repeated in the future.
Journal processing of unexplained trivial entries Several journal entries lacked explanation. Discussions indicated certain trivial journals had been processed within Blackbaud with no justification or supporting evidence.	Management agrees that any journal entry made in Blackbaud should have relevant justification or supporting evidence attached. This functionality currently exists within the system as back-up documentation can be uploaded through the system's add-on module (PaperSave).
Annual report submission UCCI failed to submit the draft annual report to the Auditor General by the end of February 2020 as required by the Public Management and Finance Law; further noting that this deadline was also not met for the 2018 annual report. At the time of this report, the 2019 annual report draft has not yet been submitted.	Draft report sent to Grant Thornton on 10 May 2020. The ISA260 report will be reviewed with the Board in detail, particularly the risks noted for late annual report submissions.
Notice of interest declarations for senior management It was noted that Notice of Interest statements are not obtained from senior management.	UCCI obtains Notice of Interest (NOI) from Senior Managers every year on a routine basis. Managing the impact of COVID-19 on day to day operations has been Executive Leadership's highest priority and some normal processes were deferred under these extreme circumstances. Though obtaining the NOI's was delayed, UCCI has already made the request for Managers to

UNIVERSITY COLLEGE OF THE CAYMAN ISLANDS

Observation	Management Response
	submit their declarations and should have all submissions in hand by 13 May 2020. Once these declarations are submitted to the audit team, UCCI suggests that this observation be withdrawn from the ISA260 report.

APPENDIX D – FINANCIAL ANALYSIS – MINISTRIES, PORTFOLIOS AND OFFICES

111. Tables 1 and 2 detail of individual Ministries, Portfolios and Offices reported results for the five years from 2014–15 to 2019. Table 3 shows the split between revenue from outputs and revenue from other sources. Budget or unaudited draft numbers are included for audits not completed to date. It should be noted that 2016–17 was an 18-month period so it not directly comparable to the other 12-month fiscal years. In addition, due to the Ministry re-organisation that occurred in 2016–17, the composition of Ministries is not comparable for all the years presented.

Table 1: Surplus/(Deficit) Ministries & Portfolios from 2015–16 to 2019

Core government entity	2015-16	2016-17	2018	2019
	\$	\$	\$	\$
Cabinet Office	536,000	1,100,000	517,000	309,000
Judicial Administration	214,000	596,000	102,000	24,000
Ministry of Community Affairs	1,458,000	2,398,000	280,000	178,000
Ministry of Commerce, Planning & Infrastructure	(92,000)	1,230,000	(239,000)	(169,000)
Ministry of District Administration, Tourism & Transport	1,205,000	1,693,000	1,583,000	892,000
Ministry of Finance & Economic Development	3,481,000	5,185,000	3,837,000	308,000
Ministry of Education, Youth, Sports, Agriculture & Lands	4,390,000	(5,346,000)	715,000	667,000
Ministry of Employment and Border Control	2,079,000	595,000	10,697,000	7,983,000
Ministry of Financial Services & Home Affairs	775,000	1,265,000	2,066,000	554,000
Ministry of Health, Environment, Culture and Housing	(313,000)	4,580,000	19,703,000	4,403,000
Ministry of International Trade, Investments, Aviation and Maritime Affairs	n/a	n/a	n/a	495,000
Office of the Director of Public Prosecutions	5,000	418,000	76,000	232,000
Office of the Ombudsman	n/a	417,000	93,000	17,000
Portfolio of the Civil Service	1,046,000	1,179,000	1,385,000	953,000
Portfolio of Legal Affairs	1,296,000	1,600,000	305,000	524,000

Notes:

1. The Information Commissioner's Office and Office of the Complaints Commissioner were merged in 2017 into the Office of the Ombudsman
2. In February 2019 the Ministry of Human Resources and Immigration changed its name to the Ministry of Employment and Border Control
3. In January 2019 the Ministry of International Trade, Investment, Maritime and Aviation was established.
4. The MHECH audits for 2019, 2018 and 2016-17 are on-going, the budget amounts have been used.

Table 2: Ministries, Portfolios and Offices Expenses Trend Analysis over the period from 2014–15 to 2019

Entity	2014-15	2015-16	2016-17	2018	2019
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cabinet Office	5,802	6,841	12,216	8,906	9,420
Information Commissioners Office	676	557	647	N/A	N/A
Judicial Administration	5,666	5,779	9,196	6,798	7,912
Ministry of Commerce, Planning, & Infrastructure	41,967	42,174	59,762	38,335	43,640
Ministry of Community Affairs	15,067	18,178	24,972	12,861	13,757
Ministry of District Administration, Tourism and Transport	27,990	29,002	46,039	33,477	35,688
Ministry of Education, Youth, Sports, Agriculture & Lands	76,454	72,734	133,309	102,200	112,165
Ministry of Employment and Border Control	89,391	93,931	120,976	58,868	81,753
Ministry of Finance and Economic Development	16,749	18,931	31,092	26,579	15,698
Ministry of Financial Services and Home Affairs	9,153	11,152	34,625	45,798	52,175
Ministry of Health, Environment Culture & Housing	20,293	20,373	240,494	30,929	33,869
Ministry of International Trade, Investments, Aviation and Maritime Affairs	N/A	N/A	N/A	N/A	1,720
Office of the Complaints Commissioner	611	540	615	N/A	N/A
Office of the Director of Public Prosecutions	2,904	3,027	4,330	3,242	3,760
Office of the Ombudsman	N/A	N/A	384	1,476	1,726
Portfolio of Legal Affairs	5,990	5,848	9,860	6,576	7,213
Portfolio of the Civil Service	7,217	7,507	13,801	9,923	11,270

Notes:

1. The Information Commissioner's Office and Office of the Complaints Commissioner were merged in 2017 into the Office of the Ombudsman
2. In February 2019 the Ministry of Human Resources and Immigration changed its name to the Ministry of Employment and Border Control
3. In January 2019 the Ministry of International Trade, Investment, Maritime and Aviation was established.
4. The MHECH audits for 2019, 2018 and 2016-17 are on-going, the budget amounts have been used.

Table 3: Ministries & Portfolios Revenue Analysis, 2019

Entity	Outputs to Cabinet	Other Sources	Total Revenue	% Revenue Cabinet Funded
	(\$'000)	(\$'000)	(\$'000)	
Cabinet Office	8,256	1,480	9,736	85%
Judicial Administration	7,852	84	7,936	99%
Ministry of Community Affairs	13,839	96	13,935	99%
Ministry of District Administration, Tourism and Transport	36,002	578	36,580	98%
Ministry of Education, Youth, Sports, Agriculture & Lands	106,746	6,096	112,842	95%
Ministry of Finance and Economic Development	12,491	3,515	16,006	78%
Ministry of Financial Services & Home Affairs	49,639	3,090	52,729	94%
Ministry of Health, Environment Culture & Housing	34,089*	5,978*	40,067*	85%
Ministry of Employment and Border Control	68,181	21,555	89,736	76%
Ministry of International Trade, Investments, Aviation and Maritime Affairs	2,215	-	2,215	100%
Ministry of Commerce, Planning & Infrastructure	35,694	7,777	43,471	82%
Office of the Director of Public Prosecutions	3,992	-	3,992	100%
Office of the Ombudsman	1,743	-	1,743	100%
Portfolio of the Civil Service	11,203	1,017	12,220	92%
Portfolio of Legal Affairs	7,117	620	7,737	92%
Total	399,059	51,886	450,945	88%

*Budget amounts have been used as audit is on-going.

APPENDIX E – FINANCIAL ANALYSIS – SAGCS

STATEMENT OF FINANCIAL PERFORMANCE – SAGCS

112. Tables 4 to 6 present details of individual SAGCs reported results from 2014–15 to 2019. It should be noted that 2016–17 was an 18-month period so it not directly comparable to the other 12-month fiscal years.

Table 4: Net Profit/(Loss) or Surplus/(Deficit) reported by SAGCs from 2014-15 to 2019

SAGC	30-Jun-15	30-Jun-16	31-Dec-17	31-Dec-18	31-Dec-19
	\$	\$	\$	\$	\$
Auditor Oversight Authority	194,428	5,709	46,023	33,220	(17,106)
Cayman Airways Limited	3,057,778	3,207,847	(10,740,080)	(7,786,239)	(6,353,000)*
Cayman Islands Airport Authority	10,016,853	10,885,197	161,340,821*	99,509,321*	11,464,167*
Cayman Islands Development Bank	(669,284)	404,513	(717,454)	(432,821)	263,362
Cayman Islands Monetary Authority	(157,000)	708,000	10,128,000	8,358,000	5,830,000
Cayman Islands National Museum	(9,647)	26,297	128,405	78,931	5,710
Cayman National Cultural Foundation	(136,303)	(112,764)	(230,371)	(89,820)	(202,683)
Cayman Islands Stock Exchange	407,128	491,944	948,841	907,795	1,214,280
Cayman Turtle Conservation and Education Centre Limited	(6,340,399)	(6,293,334)	(11,140,740)	(7,469,592)	(6,869,768)
Children & Youth Services Foundation	106,271	254,906	(134,215)	(493,340)	138,722
Cayman Islands National Insurance Company	1,454,825)	(4,494,675)	(5,311,834)	(6,992,990)	(258,939)
Civil Aviation Authority	3,548,511	2,373,925	5,950,133	3,745,109	2,544,142
Electricity Regulatory Authority	396,916	191,340	36,090	n/a**	n/a**
Health Services Authority	(1,859,966)	(1,684,406)	11,438,026	27,410,472	(23,007,023)
Information & Communications Technology Authority	(104,169)	(139,252)	(27,574)	n/a**	n/a**
Maritime Authority	449,740	(401,177)	718,543	1,795,595	1,808,774
National Drug Council	1,120	12,796	34,003	(17,364)	32,626
National Gallery	(116,989)	(261,859)	103,091	(39,965)	(98,190)
National Housing Development Trust	(1,703,000)	(2,572,000)	(1,765,000)	(1,397,000)	(1,350,000)*
National Roads Authority	(625,727)	(4,869,167)	(3,014,662)	(734,682)	1,334,751
Port Authority	349,696	14,857,863	533,242	6,069,929	(3,386,707)
Public Service Pensions Board	22,502,000	18,670,000	105,219,000	(36,177,000)	169,019,000
Segregated Insurance Fund of the Cayman Islands	4,247,020	4,589,240	7,493,100	5,348,160	5,666,100
Sister Islands Affordable Housing Development Corporation	(113,000)	(171,000)	(7,000)	(151,000)	(25,000)
Tourism Attraction Board	(214,875)	(277,094)	237,241	243,596	166,741
University College of the Cayman Islands	13,781	2,623,627	153,010	(519,954)	(355,048)

Utilities Regulation and Competition Office	n/a**	n/a**	(1,446,088)	135,659	212,302*
Water Authority of the Cayman Islands	4,061,412	(2,154,498)	(1,130,581)	4,934,271	9,214,734

*Budget amounts have been used as audit is on-going.

**ERA and ICTA were merged into URCO in 2016-17

Table 5: SAGC expenses reported from 2014-15 to 2019

SAGC	30-Jun-15	30-Jun-16	31-Dec-17	31-Dec-18	31-Dec-19
	\$	\$	\$	\$	\$
Auditor Oversight Authority	336,568	366,217	432,477	309,411	335,606
Cayman Airways Limited	71,143,165	71,034,680	115,450,674	69,945,827	70,922,360*
Cayman Islands Airport Authority	20,608,024	20,468,353	34,106,015*	27,258,5158*	29,939,518*
Cayman Islands Development Bank	2,929,590	2,076,099	3,937,915	2,950,905	2,480,929
Cayman Islands Monetary Authority	20,337,000	23,700,000	36,710,000	28,199,000	30,624,000
Cayman Islands National Museum	1,005,436	1,003,947	1,381,861	938,212	1,058,551
Cayman National Cultural Foundation	1,037,422	1,006,409	1,531,270	964,869	1,154,952
Cayman Islands Stock Exchange Ltd	1,433,744	1,450,004	2,134,265	1,857,762	1,951,379
Cayman Turtle Conservation and Education Centre Limited	13,503,226	14,828,316	21,709,329	15,368,000	15,410,522
Children & Youth Services Foundation	2,160,229	2,437,997	4,260,487	3,276,507	3,046,046
Cayman Islands National Insurance Company	67,733,101	70,993,880	109,667,029	86,981,896	95,995,783
Civil Aviation Authority	3,791,638	5,078,173	6,385,079	4,740,502	5,037,049
Electricity Regulatory Authority	530,809	566,997	375,968	n/a**	n/a**
Health Services Authority	104,847,671	106,920,342	169,391,394	119,284,265	128,227,568
Information & Communications Technology Authority	1,927,540	2,204,340	1,478,437	n/a**	n/a**
Maritime Authority of the Cayman Islands	8,386,801	9,740,362	14,746,146	9,502,391	9,383,939
National Drug Council	557,551	549,612	963,852	678,931	657,022
National Gallery of the Cayman Islands	1,033,910	1,096,867	1,739,857	1,136,240	1,334,627
National Housing Development Trust	3,553,000	6,157,000	3,764,000	3,627,000	1,892,000*
National Roads Authority	12,740,433	19,072,157	26,244,604	16,522,516	19,619,158
Public Service Pensions Board	3,760,000	3,194,000	3,887,000	3,833,000	3,478,000
Port Authority	20,177,167	8,044,782	33,970,348	18,484,995	29,983,112
Segregated Insurance Fund of the Cayman Islands	9,000	9,000	9,000	9,000	9,000
Sister Islands Affordable Housing Development Corporation	523,000	717,000	315,000	588,000	88,000
Tourism Attraction Board	3,140,073	3,223,668	4,587,526	3,097,261	3,488,460
University College of the Cayman Islands	7,316,388	7,182,921	11,368,057	8,168,057	9,777,734
Utilities Regulation and Competition Office	n/a**	n/a**	4,476,385	4,801,450	4,290,096*
Water Authority of the Cayman Islands	25,993,540	32,397,967	47,402,354	29,376,340	27,703,895

*Budget amounts have been used as audit is on-going.

**ERA and ICTA were merged into URCO in 2016-17

Table 6: SAGC output revenue from Government sources reported from 2014-15 to 2019

SAGC	30-Jun-15	30-Jun-16	31-Dec-17	31-Dec-18	31-Dec-19
	\$	\$	\$	\$	\$
Auditor Oversight Authority	502,042	315,000	472,500	315,000	315,000
Cayman Airways Limited	17,805,800	17,305,800	26,459,010	23,231,857	17,969,333*
Cayman Islands Airport Authority	-	-	-	-	-
Cayman Islands Development Bank	570,768	569,268	850,153	1,026,347	566,768
Cayman Islands Monetary Authority	6,865,000	10,693,000	20,750,000	16,333,000	18,439,000
Cayman Islands National Museum	820,800	820,800	1,231,200	821,000	855,000
Cayman National Cultural Foundation	628,900	628,900	943,350	660,000	760,000
Cayman Islands Stock Exchange Ltd.	-	-	-	-	-
Cayman Turtle Conservation and Education Centre Limited	-	-	-	-	-
Children & Youth Services Foundation	2,178,000	2,514,513	3,617,000	2,683,000	3,100,000
Cayman Islands National Insurance Company	28,309,378	29,706,436	31,712,156	32,322,100	33,532,759
Civil Aviation Authority	-	-	-	-	-
Electricity Regulatory Authority	5,500	15,040	21,667	-	-
Health Services Authority	25,907,058	27,075,848	19,884,435	10,682,190	14,394,290
Information & Communications Technology Authority	345,551	325,489	176,307	-	-
Maritime Authority	429,716	427,945	539,145	413,578	343,396
National Drug Council	552,958	552,958	955,000	644,781	668,605
National Gallery	401,850	401,850	703,775	586,000	586,000
National Housing Development Trust	580,000	581,000	871,000	581,000	581,000*
National Roads Authority	1,711,270	3,673,124	7,506,994	5,285,730	10,583,525
Port Authority of the Cayman Islands	-	-	-	-	-
Public Service Pensions Board	-	-	-	-	-
Segregated Insurance Fund of the Cayman Islands	-	-	-	-	-
Sister Islands Affordable Housing Development Corporation	72,000	72,000	108,000	75,000	56,000
Tourism Attraction Board	1,952,214	1,902,213	2,928,021	2,000,000	2,000,000
University College of the Cayman Islands	4,073,205	4,077,658	6,315,449	4,315,529	5,528,940
Utilities Regulation and Competition Office	-	-	698,487	1,625,309	1,238,476*
Water Authority	-	-	472,500	-	-
Total	3,712,010	01,658,842	27,216,149	3,601,421	11,518,092

*Budget amounts have been used as audit is on-going.

APPENDIX F – INDIVIDUAL ENTITY REPORTING

113. This appendix provides details of the specific matters that were included as matters of emphasis or other matters that were included in the Audit Reports for each Ministry, Portfolio, Office and SAGC. In other words those matters which we considered important enough to draw to the attention of the users of the financial statements but which did not result in a qualification. As noted earlier in the report, there were no qualifications for entities whose audits have been completed to date in relation to the 2019 financial year.
114. With respect to the outstanding audits for 2016-17, 2018 and 2019, no commentary is provided as it is not appropriate to report the final outcomes of these audits before the audit report is signed.

MINISTRIES, PORTFOLIOS AND OFFICES – EMPHASIS OF MATTER & OTHER MATTERS

ENTITY	2018 EMPHASIS OF MATTER & OTHER MATTERS	2019 EMPHASIS OF MATTER & OTHER MATTERS
CABINET OFFICE	<p>Although I did not qualify my audit opinion, I brought to the attention of readers that the Cabinet of Ministers authorized a reallocation of appropriations of \$440,000 from the Ministry of Human Resources and Immigration to the Cabinet Office for exceptional circumstances in accordance with section 11 (5) of the <i>Public Management and Finance Law (2018 Revision)</i> (“PMFL”). As at the date of my audit report on the 2018 financial statements, a Supplementary Appropriation Bill for the reallocation has not been passed into Law by the Legislative Assembly as required by section 11(6) of the PMFL.</p>	No reported matters.
MINISTRY OF FINANCIAL SERVICES & HOME AFFAIRS	<p>Although I did not qualify my audit opinion, I brought to the attention of readers that the Ministry of Financial Services and Home Affairs was authorized under section 11 (5) of the <i>Public Management and Finance Law</i> to adjust its appropriation for exceptional circumstances. As at the date of my audit report on the 2018 financial statements being issued the Supplementary Appropriation Bill has not been passed into Law by the Legislative Assembly for the \$730,000 reallocation.</p>	No reported matters.

SAGCs – EMPHASIS OF MATTER & OTHER MATTERS

ENTITY	2018 EMPHASIS OF MATTER & OTHER MATTERS	2019 EMPHASIS OF MATTER & OTHER MATTERS
CAYMAN ISLANDS DEVELOPMENT BANK	<p>Without qualifying my opinion, I highlighted that the Bank received \$2.25m in contributed capital from the Cayman Islands Government during the year ended 31 December 2018. I noted that the Bank received payments amounting to \$1.026m for providing services to the Cayman Islands Government.</p> <p>The ability of the Bank to meet its obligations and capacity to sustain its operational expenditures are significantly reliant on continued Government support from the proceeds of capital injection and services provided to Government.</p> <p>I also emphasized to readers, that impaired loans as at 31 December 2018 amounted to \$13.5m. This represents 53% of the overall loan portfolio excluding allowances for credit losses.</p>	<p>Without qualifying my opinion, I draw your attention to note 6 in the financial statements that outlines that impaired loans as at 31 December 2019 amounted to \$10,721,501. This represents 51% of the overall loan portfolio excluding allowances for credit losses.</p> <p>According to note 10 of the financial statements the Bank received \$4,500,000 in contributed capital from the Cayman Islands Government during the year ended 31 December 2019. I also draw your attention to Note 13 which indicates that the Bank received payments amounting to \$526,317 for providing services to the Cayman Islands Government.</p> <p>The ability of the Bank to meet its obligations and capacity to sustain its operational expenditures are significantly reliant on continued Government support from the proceeds of capital injection and services provided to Government.</p> <p>My opinion is not modified in respect of the matters emphasized.</p>
CAYMAN ISLANDS NATIONAL MUSEUM	<p>Although I did not qualify my audit opinion, I brought to the attention of readers that the Cabinet of Ministers authorized a reallocation of appropriations of \$60,300 from the Ministry of Health, Environment, Culture & Housing to the Cayman Islands National Museum for</p>	<p>No reported matters.</p>

exceptional circumstances in accordance with section 11 (5) of the *Public Management and Finance Law (2018 Revision)* (“PMFL”).”). As at the date of my audit report on the 2018 financial statements, a Supplementary Appropriation Bill for the reallocation has not been passed into Law by the Legislative Assembly as required by section 11(6) of the PMFL.

**CAYMAN NATIONAL
CULTURAL
FOUNDATION**

Although I did not qualify my audit opinion, I brought to the attention of readers that the Foundation was authorized under section 11 (5) of the *Public Management and Finance Law (2018 Revision)* for adjustments to its appropriation for exceptional circumstances.”). As at the date of my audit report on the 2018 financial statements being issued the Supplementary Appropriation Bill has not been passed into Law by the Legislative Assembly for the appropriation of \$53,271.

No reported matters.

**PUBLIC SERVICE
PENSIONS BOARD**

Without qualifying my opinion I again drew attention to note disclosures in the financial statements which describe that the 1 January 2017 tri-annual Actuarial Valuation Reports which were approved by the Cabinet but not yet gazette to bring into effect. As a result, contributions received and contributions receivable are based on the recommended contribution rates contained in the 2014 Funding Actuarial Valuations which were the last approved contribution rates.

Had the contribution rates in the 2017 Actuarial Valuation been used, the effect would have been a net increase of approximately \$2m.

As outlined in note 24 to the financial statements, *The Public Authorities Law (2020 Revision) Section 47 – Terms and conditions and remuneration of staff* came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

NATIONAL GALLERY

In 2018, I again highlighted that the Gallery did not comply with the *Public Management and Finance Law (2018 Revision)* as its financial statements were prepared in accordance with IFRS rather than IPSAS.

Without qualifying my opinion I empathized that the Cabinet authorized a reallocation of appropriations of \$25,000 as an equity injection for exceptional circumstances, in accordance with section 11 (5) of the *Public Management and Finance Law (2018 Revision) (PMFL)*. The appropriations were for purchase of artworks. As at the date of my audit report on the 2018 financial statements being issued, a Supplementary Appropriation Bill for the reallocation has not been passed into law by the Legislative Assembly as required by section 11(6) of the PMFL.

No matters reported.

**CAYMAN ISLANDS
MONETARY
AUTHORITY**

No reported matters.

As outlined in Note 15 of the financial statements, *the Public Authorities Law (2020 Revision), Section 47 - Terms and conditions and remuneration of staff* came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

**CAYMAN ISLANDS
NATIONAL INSURANCE
COMPANY**

No reported matters.

We draw attention to the Note 22 of the financial statements which describes that at 31 December 2019, the company was not in compliance with the prescribed capital requirements of the Insurance

(Capital and Solvency) (Class A Insurers) Regulations, 2012. Our opinion is not modified in respect of this matter.

**HEALTH SERVICES
AUTHORITY**

Without qualifying my opinion I drew attention to note 22 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net deficit of \$7.3m. This event raised a substantial doubt about the Heath Authority's ability to continue as a going concern. The note also describes the series of action taken by management to alleviate this concern.

I draw attention to note 23 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net liability of \$30.3m in the statement of financial position. This event raised a substantial doubt about the Heath Authority's ability to continue as a going concern. The note also describes the series of action plans taken by management to alleviate this concern. My opinion is not modified in respect of this matter.

As outlined in note 20 of the financial statements, *The Public Authorities Law (2020 Revision), Section 47 - Terms and conditions and remuneration of staff* came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. Our opinion is not modified in respect of this matter.

**CAYMAN TURTLE
CONSERVATION AND
EDUCATION CENTRE
LIMITED**

We draw attention to Note 2 to the financial statements which discloses that the Company is dependent upon the continued financial support of the Cayman Islands Government ("Government") to enable it to meet its obligations as they fall due. The subsequent global outbreak of the coronavirus, COVID-19, and the measures taken by the Government to mitigate the threat to the

We draw attention to Note 2 to the financial statements which discloses that the Company is dependent upon the continued financial support of the Cayman Islands Government ("Government") to enable it to meet its obligations as they fall due. The subsequent global outbreak of the coronavirus, COVID-19, and the measures taken by the

Cayman Islands, including the closure of the cruise port, the airports and the Company's facility, has increased the Company's financial dependency on the Government. Without this ongoing support a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Government to mitigate the threat to the Cayman Islands, including the closure of the cruise port, the airports and the Company's facility, has increased the Company's financial dependency on the Government. Without this ongoing support a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The Public Authorities Law (2020 Revision), Section 47 - Terms and conditions and remuneration of staff requires all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits from 1 June 2019. At the date of this report, the Company's process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

**NATIONAL ROADS
AUTHORITY**

Without qualifying my opinion, I drew attention to note 21 of the financial statements, which stated that the Cabinet of Ministers authorized a reallocation of appropriations of \$112,000 from the Ministry of Commerce, Planning and Infrastructure to the National Roads Authority for exceptional circumstances in accordance with section 11 (5) of the *Public Management and Finance Law (2018 Revision)* ("PMFL"). As at the date of my audit report on the 2018 financial statements being issued, a Supplementary Appropriation Bill for the reallocation has not been passed into Law by the Legislative Assembly as required by section 11(6) of the PMFL.

As outlined in note 14 of the financial statements, *The Public Authorities Law (2020 Revision), Section 47 - Terms and conditions and remuneration of staff* came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

**PORT AUTHORITY OF
THE CAYMAN ISLANDS**

No reported matters.

As outlined in note 13 of the financial statements, *The Public Authorities Law (2020 Revision), Section 47 - Terms and conditions and remuneration of staff* came into effect on 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

**CIVIL AVIATION
AUTHORITY**

I draw attention to Note 16 to the financial statements which indicates that the corresponding information presented as at and for the 18 month period ended 31 December 2017 has been restated. My opinion is not modified in respect of this matter.

No reported matters

**NATIONAL DRUG
COUNCIL**

I drew attention to how the “Council” received a reallocation of funds under the provisions of section (11)6 of the *Public Management and Finance Law (2018 Revision)* (the “PMFL”). As of the date of my audit report, the Legislative Assembly’s approval has not yet been obtained for these funds.

No reported matters.

**WATER AUTHORITY OF
THE CAYMAN ISLANDS**

No reported matters.

As outlined in note 14 of the financial statements, *The Public Authorities Law (2020 Revision), Section 47 - Terms and conditions and remuneration* requires all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries

and benefits *of* staff by 1 June 2019. As at the date of this report, the Water Authority was still in the assessment phase with the Portfolio of the Civil Service to finalize the process and determine the financial impact, if any on the financial statements. Our opinion is not modified in respect of this matter.

APPENDIX G – LIST OF PUBLIC BODIES

Number	Public Body	Auditors	CODE
1	Auditors Oversight Authority	OAG	AOA
2	Cabinet Office	OAG	CO
3	Cayman Airways Limited	KPMG	CAL
4	Cayman Islands Airports Authority	OAG	CIAA
5	Cayman Islands Development Bank	OAG	CIDB
6	Cayman Islands Monetary Authority	OAG	CIMA
7	Cayman Islands National Insurance Company	KPMG	CINICO
8	Cayman Islands National Museum	OAG	CINM
9	Cayman Islands Stock Exchange Ltd.	PwC Cayman	CISX
10	Cayman National Cultural Foundation	OAG	CNCF
11	Cayman Turtle Conservation and Education Centre Limited	Grant Thornton Cayman Islands	CTC
12	Children & Youth Services Foundation	KPMG	CAYS
13	Civil Aviation Authority	KPMG	CAA
14	Entire Public Sector	OAG	EPS
15	Health Services Authority	OAG	HSA
16	Judicial Administration	KPMG	JA
17	Maritime Authority of the Cayman Islands	Grant Thornton Cayman Islands	MACI
18	Ministry of Commerce, Planning and Infrastructure	OAG	MCPI
19	Ministry of Community Affairs	OAG	MCA
20	Ministry of District Admin, Tourism & Transport	OAG	MDATT
21	Ministry of Education, Youth, Sports, Agriculture and Lands	OAG	MEYSAL
22	Ministry of Finance and Economic Development	OAG	MFED
23	Ministry of Financial Services and Home Affairs	OAG	MFSHA
24	Ministry of Health, Environment, Culture and Housing	OAG	MHECH
25	Ministry of Human Resources and Immigration	OAG	MHRI
26	Ministry of International Trade, Investments, Aviation and Maritime Affairs	OAG	MITIAMA
27	National Drug Council	KPMG	NDC
28	National Gallery of the Cayman Islands	Eisner Amper Cayman Ltd.	NGCI
29	National Housing and Development Trust	OAG	NHDT
30	National Roads Authority	OAG	NRA
31	Office of the Auditor General	Baker Tilly Cayman	OAG
32	Office of the Director of Public Prosecutions	KPMG	DPP
33	Office of the Ombudsman	KPMG	OO

34	Port Authority of the Cayman Islands	OAG	PACI
35	Portfolio of Legal Affairs	KPMG	PLA
36	Portfolio of the Civil Service	OAG	POCS
37	Public Service Pensions Board	OAG	PSPB
38	Segregated Insurance Fund	OAG	SIF
39	Sister Islands Affordable Housing Development Corporation	OAG	SIAHDC
40	Tourism Attractions Board	OAG	TAB
41	University College of the Cayman Islands	KPMG	UCCI
42	Utilities Regulation and Competition Office	OAG	URCO
43	Water Authority of the Cayman Islands	KPMG	WACI

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