

**FINANCIAL REPORTING OF THE CAYMAN ISLANDS  
GOVERNMENT**



MAY 2019



**To help the public  
service spend wisely**

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# EXECUTIVE SUMMARY

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The annual reports and financial statements of the Government are the key documents that enable the Legislative Assembly and the residents of the Cayman Islands to hold public sector entities and the Government accountable for their use of public money.

Although the 2016-17 entity financial audits for the most part have been completed for some time, this report was delayed as we wanted to include the Entire Public Sector (EPS) audit opinion and findings but decided recently to produce a report on entities only with a separate report on EPS to follow at a later date.

In this report, I describe the improving state of financial management and reporting in the Cayman Islands public service over recent years and make further suggestions for improvement. The report provides appendices that are rich in information about the financial performance of the individual Ministries, Portfolios and Offices (Appendix D) and Statutory Authorities and Government Companies (SAGCs) (Appendix C), supporting financial analysis on them (Appendices E and F) as well as the status of the 2016-17 audits including the audit opinions I have issued and details of the nature of the qualification points I have given (Appendices A, B, G).

Entities are now routinely preparing annual reports to accompany their financial statements and I recommend MLAs and the public to read these to get a fuller understanding of government business. I also urge all entities to lay their annual reports and financial statements in the Legislative Assembly in a timely manner and publish these on their websites.

The financial results reported by the entities (Appendices C and D) provide a mixed picture, although some entities showed a positive improvement in financial performance over the year 2016-17, a significant number reported a deficit for the year ending 31 December 2017 and two Ministries and Offices overspent their budget (Judicial Administration and Ministry of Home Affairs). Appendix E demonstrates that several SAGCs show signs of being under significant financial strain and having challenges meeting their current obligations. This will continue to be the case in most instances without changes in operations, business restructuring or ongoing and further government support or changes in government policy.

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

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1. I am pleased to present this report to the Legislative Assembly that summarises my Office's financial audits of 44 public sector entities that consisted of 16 Ministries, Offices and Portfolios and 28 Statutory Authorities and Government Companies (SAGCs) for the 18-month period ended 31 December 2017. I believe that Members of the Legislative Assembly will find this report useful in their role of ensuring financial accountability and transparency for Government operations.
2. The majority of the 44 entity financial audits are undertaken by my staff and 14 entity audits are contracted out to private sector firms (namely Deloitte, Eisner Amper, KPMG & PwC) and subject to a final OAG quality review and my sign off.
3. In previous reports which I and my predecessors have issued on Government financial management and reporting, significant emphasis was placed on the timeliness, accuracy and reliability of the financial information being presented, as this is a fundamental component of ensuring the effective governance and accountability of Government and public entities. It has been pleasing over the years to see the consistent improvements made across the public service in producing financial information which Legislators and officials can use to make effective and robust decisions regarding the allocation of resources.
4. I would like to thank the staff of all public sector entities, especially the Finance teams for their efforts and it is commendable that so many now have clean opinions. I would like to thank my team at the Office of the Auditor General and our contracted auditors at Deloitte, Eisner Amper, KPMG & PwC for their commitment and efforts in supporting this improvement.

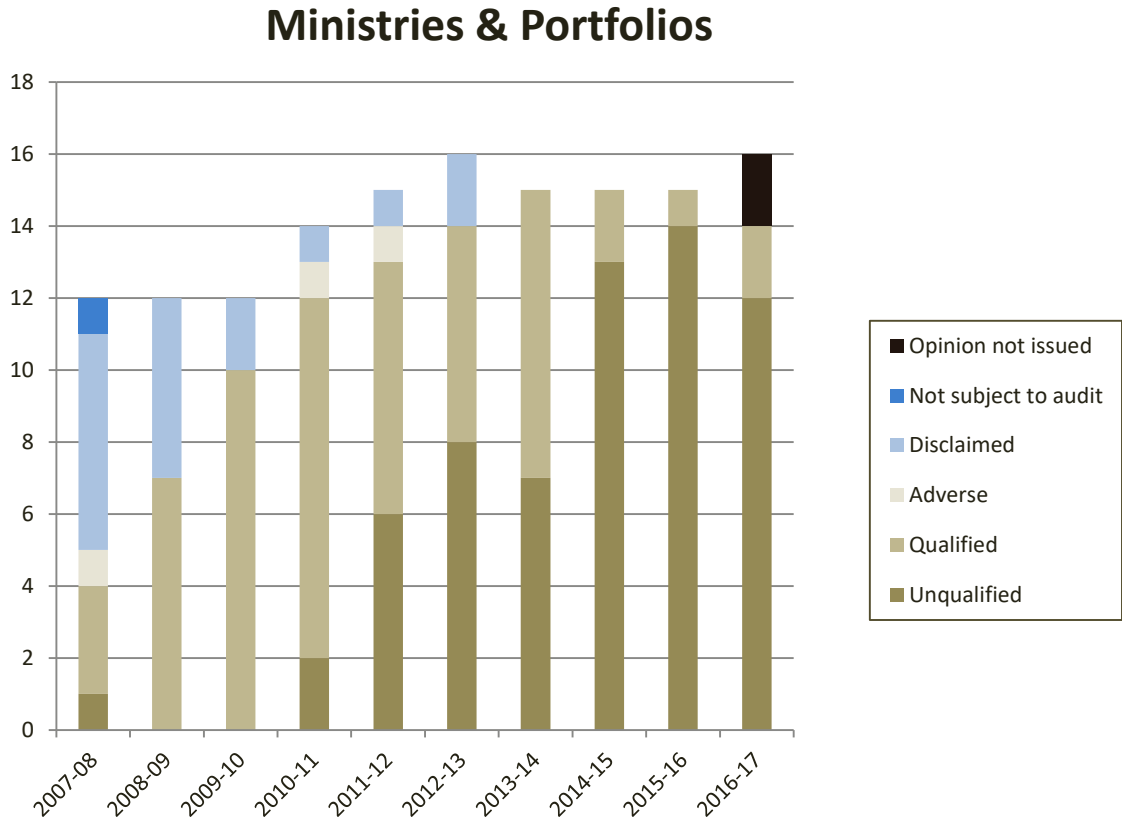
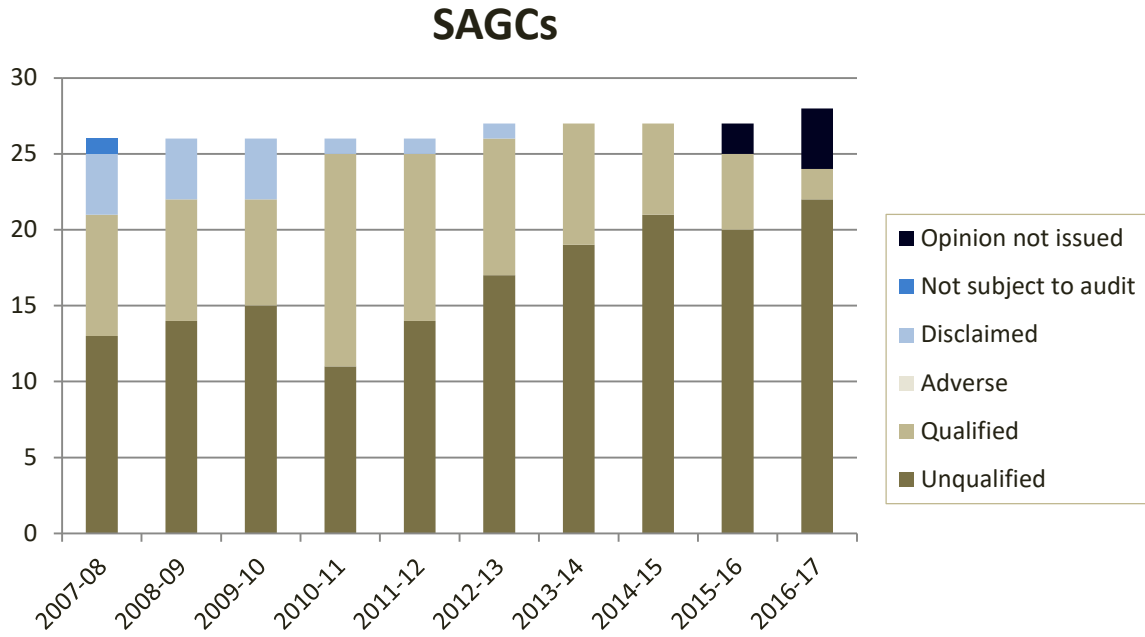
# THE STATE OF FINANCIAL MANAGEMENT AND REPORTING IN THE CAYMAN ISLANDS GOVERNMENT

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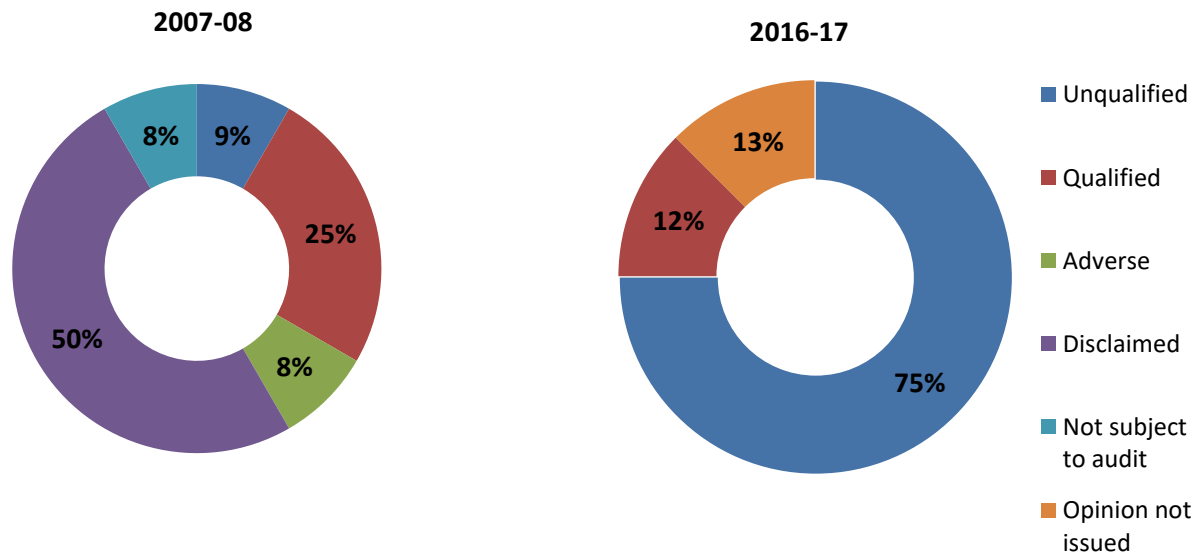
## INTRODUCTION

5. The outcomes from our audits for the 18-month period ending 31 December 2017 have continued to show improvement in the quality and timeliness of the annual financial reporting for all government entities including core government and Statutory Authorities and Government Companies (SAGCs).
6. As at the date of this report, the audits of the 2016-2017 financial statements for all but five entities have been completed. The audits outstanding are: Cayman Islands Airport Authority (2016-17), Port Authority (2016-17), Cayman Turtle Farm (2016-17), Ministry of Education Youth Sports Agriculture & Lands (2016-17) and Ministry of Health, Environment, Culture & Housing (2016-17).
7. For the 18-month period ending 31 December 2017, I have so far issued 35 unqualified opinions and 4 qualified opinions.
8. Further information on the audits are provided in Appendices A and B. They include information about the audit opinions issued, the date they were signed and the date they were tabled in the Legislative Assembly.
9. Exhibit 1 on the following page shows the trend in the audit opinions that my Office has issued for the last ten years. In 2007-08 there was one SAGC (Cayman Airways Limited) and one core government entity (Ministry of Finance and Economics) that were not subject to an audit as a result of amendments to the Public Management and Finance Law (PMFL) in August 2011 which removed the requirement for audits to be conducted for the years 2005-06 to 2007-08.
10. Exhibits 2 and 3 show the improvements in audit opinions issued between the periods from 2007-08 to 2016-17.

**Exhibit 1: Core government and SAGCs audit opinions for last 10 years**



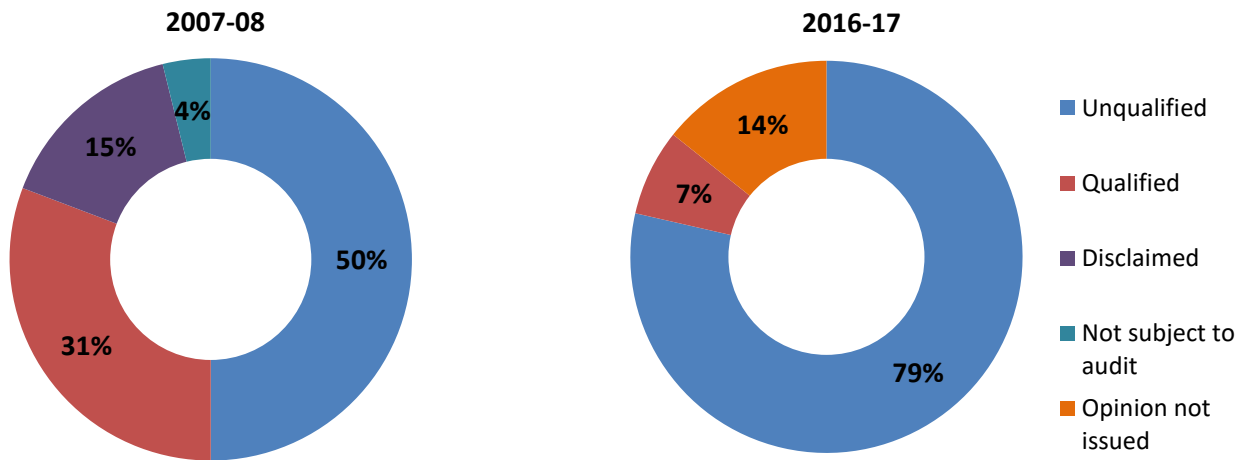
**Exhibit 2: Comparison of Core Government audit opinions 2007-08 and 2016-17**



11. For the ten years from 2007-08 to 2016-17 there was a significant improvement in the types of audit opinion that were issued for Ministries, Portfolios and Offices within the core government.
12. In 2007-08, 83% of all core government entities received unfavorable opinions, and of this amount 50% received disclaimers of opinions and 8% received adverse opinions. As noted above, one core government entity was not subject to audit in 2007-08.
13. A disclaimer of opinion or adverse opinion should be considered as a fundamental failure by the entity’s management which undermines public accountability, transparency and trust. Apart from clearly demonstrating that an entity cannot effectively account for how it used resources, these opinions can also report failures of governance and internal control.
14. One in four entities in core government received a qualified opinion in 2007-08, which indicated that most of the contents of the financial statements were fairly stated but a portion cannot be relied upon by the users. Only one entity received an unqualified opinion, meaning all of the information in the financial statements can be relied upon.
15. In 2016-17 there were no disclaimer of opinion or adverse opinions issued for core government entities, and only 12% (2 entities) received qualified opinions. The number of entities in core government receiving unqualified opinions increased from 1 in 2007-08 to 12 in 2016-17. The increase in number of unqualified opinions from 9% in 2007-8 to 75% in 2016-17 is evidence of the considerable efforts made by Chief Officers, Chief Financial Officers and their support teams to restore financial accountability in the use of public resources.



**Exhibit 3: Comparison of SAGCs opinions 2007-08 and 2016-17**



16. Similar to core government entities, there was improvement in the types of audit opinion that were issued for Statutory Authorities and Government Companies (SAGCs) for the ten years from 2007-08 to 2016-17. However by comparison the state of affairs in SAGCs was not as dire as that of core government in 2007-08.
17. In 2007-08, 46% of all SAGCs received unfavorable opinions, and of this amount 15% received disclaimers of opinion and 31% received qualifications, there were no adverse opinions. One SAGC was not subject to audit in 2007-08.
18. Half of all SAGCs received an unqualified opinion in 2007-08 and continued to show improvements in the quality of financial reporting which is reflected in the increase to 82% in 2016-17 in the number of unqualified opinions issued by my office to date.
19. In 2016-17 there were no disclaimer of opinion or adverse opinions issues for SAGCs and only 7% (2 entities) received qualified opinions.
20. Further details of the entities and related opinions rendered for the more current periods are provided at Appendices A and B of this report.

## QUALITY OF THE FINANCIAL STATEMENTS

21. The quality of financial information presented has shown steady improvements over the years, and in 2016-17; which notably was an 18-month fiscal period which presented unique technical issue, this improvement was demonstrated with the low amount of qualified opinions issued to date. Of the 39 audits completed, there were only 4 qualified opinions and 35 unqualified opinions issued.
22. Exhibit 4 below provides a summary of the matters which resulted in the qualified opinions issued to date on 2016-17 financial statements for the 4 entities.

**Exhibit 4: Entity Qualifications 2016-17**

Entity	Contingent Liabilities	Completeness of revenue	Completeness of receivables	Accumulated deficit	Non-Compliance with IPSAS 20 – Related Parties Disclosures	Non-Compliance with IPSAS 25 – Termination Benefits
Health Services Authority						
Cayman National Cultural Foundation						
Ministry of Community Affairs						
Ministry of Human Resources and Immigration						

23. The qualification points received by the Health Services Authority (HSA) resulted from the entity's inability to represent to me that the controls for the recording of patient service fees are effective to ensure that reported revenue, and consequentially account receivables and accumulated deficit; were completed as at the 31 December 2017.
24. The contingent liability that formed the basis of the qualification on the Cayman National Cultural Foundation (CNCF) financial statements stemmed from them being named as a defendant in a personal injury claim where a judgement was awarded, and subsequently paid in part by the Cayman Islands Government (CIG).

25. The CNCF could not confirm if there is, or will be in the future, an obligation for them to compensate CIG for amounts already paid or any further liabilities, as a consequence I was unable to determine if contingent liabilities were fairly presented in the financial statements.
26. I also qualified two Ministries for non-compliance with International Public Sector Accounting Standards (IPSAS), which is the financial reporting framework used by Ministries to prepare their financial statements in accordance with generally accepted accounting principles.
27. Both entities had material termination benefits included in their expenses for the fiscal period but opted to not disclose these amounts separately in the notes to the financial statements as required by the IPSAS. Additionally the Ministry of Community Affairs did not appropriately disclose a material payment that was made to an employee who was deemed as key management personnel. IPSAS mandate that such payments be explicitly disclosed in a manner that ensures full transparency and demonstrates management's integrity.
28. I included "matters of emphasis" or "other matters" in the reports of 17 entities, which highlighted matters I believed needed to be brought to the attention of the users of the financial statements. The two most significant issue I included in these audit reports were:
- My concern relating to some entities ability to continue operating without the financial support they were receiving from core government.
  - The growing occurrence of entities being authorized under section 11 (5) of the *Public Management and Finance Law* (PMFL) to make adjustments to their appropriations for exceptional circumstances, and the Supplementary Appropriation Bill not being passed into Law by the Legislative Assembly (LA) in a timely manner as required under the PMFL.
29. Specific details of each individual entity's "matters of emphasis" and/or "other matters" are provided in Appendix E along with the detailed information on the qualifications reported for each entity in 2016-17.

## **TIMELINESS OF THE FINANCIAL STATEMENTS & ANNUAL REPORTS**

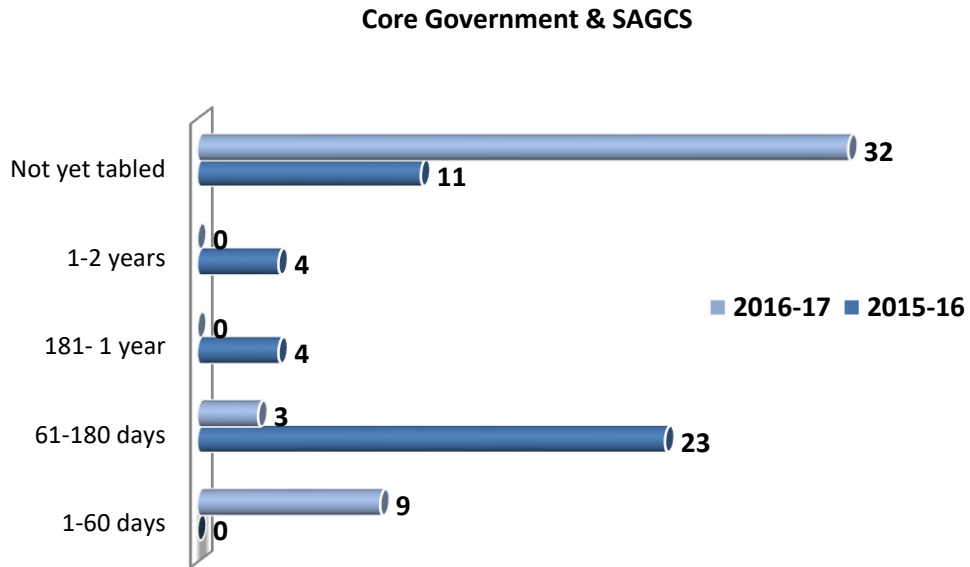
30. One of the qualitative characteristics of financial information is timeliness, which means that information is made available to users before it has lost its capacity to be useful for accountability and decision making.
31. The usefulness of financial statements is impaired if the information is not made available to users within a reasonable time period. 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 PMFL the statutory deadline for entities to issue financial statements is 30 April or four months after the year end with preparers being given two months to prepare the statements and my Office, two months to audit these statements.

32. For the 2016-17 reporting period I received financial statement submissions for all 44 entities by the 28 February statutory deadline, and audits were completed for 27 of the 44 entities by the statutory deadline of April 2018. The number of audits completed is compared to 28 in 2015-16 and 23 in 2014-15.
33. A further 5 audits were completed in May 2018, resulting in 32 of the 44 audits being completed within six months of the reporting date of 31 December 2017. This improving situation is reflective of the leadership provided by the Government particularly through the Deputy Governor, in prioritising this and through the constant oversight and pressure added by the Public Accounts Committee (PAC).
34. Although there has been a significant improvement in the timeliness of the submission of financial statements and the completion of audits, there still continues to be delays in the tabling of these audited financial statement and the associated annual reports in the Legislative assembly, which is the pivotal step that completes the accountability chain.

## ACCOUNTABILITY

35. The primary function of the core government and SAGCs is the provision of goods and services that enhance the lives of the citizens and residents of the Cayman Islands and in most cases the resources used to provide these goods and services are generated from non-exchange transactions e.g. import duties and stamp duty fees.
36. Therefore core government and SAGCs are accountable to those persons who provide them with resources as well as those who depend on them for the delivery of goods and services. To meet this accountability obligation, information on how the resources entrusted to entities have been used must be made accessible to key stakeholders, legislators and the general public.
37. The tabling of the annual reports containing the financial statements in the Legislative Assembly is the mechanism by which core government and SAGCs can fulfil the accountability obligation. Without annual reports, it is almost impossible for stakeholders, legislators and citizens, to understand how public resources have been used and to hold Government and public bodies accountable.
38. I noted in my 2015-16 general report that for the first time, all Ministries, Portfolios and Offices had submitted annual reports with their financial statements as did most SAGCs, and the high level of annual report preparation and submission continued in 2016-17.
39. However, greater effort must be placed in ensuring that these annual reports are ultimately tabled in the Legislative Assembly in a timely manner.
40. Exhibit 5 shows the trend in the timeliness of annual reports being tabled in the Legislative Assembly.

**Exhibit 5: Tabling of Annual Report Trend**



41. The exhibit shows the number of annual reports that were tabled for the 2015-16 and 2016-17 reporting periods and the length of time between the date of them being tabled and the date that the audit report was signed off.
42. For 2016-17 of the 39 audits that have been completed as at the date of this report only 12 (31%) have been tabled in the Legislative Assembly, and 3 of these were tabled more than 2 months after the date that the audit was completed.
43. For 2015-16 there remain 11 annual reports that have not been tabled, and of 31 that were tabled 8 of these were tabled between 6 months and 2 years after the audits were completed.

# SIGNIFICANT AUDIT MATTERS

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## INTRODUCTION

44. As part of my audit process I communicate with those persons charged with governance of the respective entity 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 opinion rendered.
45. Those charged with governance also referred to as Board of Directors, are persons who are appointed by the Cabinet to oversee the strategic direction of SAGCs and provide a layer of accountability to the Legislative Assembly. Boards are also responsible for ensuring that the business of the SAGC is carried out in accordance with all applicable laws.
46. For SAGCs, in addition to the appointed members, the body which makes up the board also includes a member or members of the respective entity's executive management team and the Chief Officer (or designate) from the Ministry the SAGC falls under. These persons are however not allowed to vote, and cannot serve in the capacity of chairman of the board.
47. In the following sections I have summarised some of the key matters that were brought to the attention of those charged with governance. The details of all matters as per the respective entity are provided in appendix C and D of this report.

## MANAGEMENT OF OVERTIME

48. During the 2016-17 audits it was observed that for some entities the level of overtime payments being made was significantly higher when compared to prior years and to the approved budgeted. In most instances the reason given for these increases was the existence of vacant posts that resulted in current staff working extra shifts, as well as the inherent nature of the entities operation, which requires some elements of overtime as a norm.
49. I have communicated to the respective entities that continuous extended working hours creates a risk of inefficiency in the quality of work performance that could consequently result in abuse and wastage. Additionally, reliance on overtime to such a significant extent could have a detrimental impact on staff wellbeing and place a strain on budgeted resources.
50. I have recommended that management should analyse overtime costs and prepare a business case for either continuing with overtime at a high level or hire additional staff where needed. The result of this analysis should be properly reflected in the preparation of overtime budgets of the respective entity in the future.

## IMPROVING GOVERNANCE

51. For government entities (more so SAGCs) to function effectively and be well governed it is necessary that they have in place effective boards that meet at regular intervals, provide strategic guidance and produce evidence of board activities to ensure transparency and accountability.
52. For the 2016-17 audits it was noted that one entity was without a board from March 2017 until March 2018, which is a substantial breach of the governance framework and exposes the entity to significant risk.
53. It is important that all SAGCs have a functioning Board as the absence of this would result in:
- A breach of legislation; the *Public Authorities Law* and the respective entity's establishing law.
  - Lack of strategic policy direction and leadership to help address the challenges facing the respective entity.
  - Lack of proper governance and oversight.
54. Under the *Public Authorities Law 2017* it is a requirement for all SAGCs to have a board which consists of a chairman and not less than four other members. A board shall be responsible for the governance of the public authority, including the general administration and oversight of its affairs and business, in accordance with the provisions of *Public Authorities Law 2017* and any other Law.
55. Prior to appointing any person to be a board member, the Cabinet should be satisfied that the person has the skills, knowledge, and integrity to carry out the duties required in a highly competent and politically neutral manner, and the person has no financial or other interest likely to prejudicially affect the exercising of their function as a board member.

## RELATED PARTY DISCLOSURES

56. As discussed in earlier sections of this report, and presented in Exhibit 4, I raised qualification points on some entities 2016-17 financial statements due to non-compliance with international accounting standards on related party disclosures.
57. In addition to these non-compliances, it was observed that in some entities there is not a robust process in place which ensures that all declaration of interest made by key management personnel are adequately assessed to determine the potential impact on the entity's financial statements and the need for disclosure.
58. Key management personnel are all directors of the governing body of the entity i.e. board members and other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity e.g. CEO, Managing Directors, Chief Officers, Chief Financial Officers and other members of senior management of SAGCs or core government entities.

59. International public sector accounting standards (IPSAS) denotes key management personnel as related parties, and requires certain disclosures to be made about the remuneration of key management personnel and close members of the family of key management personnel during the reporting period, loans made to them and the consideration provided to them for services they provide to the entity other than as a member of the governing body or an employee.
60. In order to effectively assess what services may potentially be provided to an entity by a member of its key management personnel, and ensure the appropriate disclosures are made, management should not only collate details of the declarations of interest made, but should conduct a comprehensive review of the declarations, and ensure that there is continual monitoring and updating to facilitate related parties disclosures consistent with IPSAS.

### **MANAGING TRAVEL EXPENDITURES**

61. One of the key components of The Cayman Islands Government fiscal strategy to restoring prudent fiscal management is the controlling of government expenditures. One such area where my Office has focused attention is travel and entertainment expenditures, as this is an area generally prone to abuse and misuse.
62. In conducting the audits of some entities for 2016-17 it was observed that there was no evidence of formal business cases for official travel cost incurred. The absence of a formal business case limited the entity or an independent party from assessing whether:
- the proposed travel is justified for the entity to achieve its business objective;
  - the travel cost incurred were approved in a manner consistent with established policy; and
  - the public is receiving the best value for money.
63. I have recommended to entities that did not produce adequate business cases for travel expenditures that it is imperative that they be done to ensure costs incurred are in line with approved strategic objectives.
64. A proper business case for travel expenditures should include:
- justification for the need to travel or incur expenses for business development activities;
  - alternative options considered in reaching objectives, such as teleconferencing or the in-house development/contracting of business development skills vs cost of outsourcing to vendors;
  - links to a business objective;
  - documentation which clearly documents how value for money was achieved in the entire process; and



- post-mortem analysis (covering actual vs. budgeted costs, future considerations and how were the objectives achieved).

## MANAGING FRAUD

65. As part of their risk management strategy entities should consider the risk of fraud, ensuring that they have mechanisms for identifying and responding to fraud risk factors, including the implementation of a fraud policy and fraud response plan.
66. An increasing number of SAGCs now have these in place and in spring 2017 the Cayman Islands Government implemented an anti-fraud policy for application in core government. This is good progress and it is now crucial that entities actively manage operations in line with this policy and continue to raise staff awareness of fraud prevention as a means of reduce the opportunities and occurrences of fraud and abuse.
67. During the 2016-17 audits it was noted that for some entities management did not provide documented evidence of a formal assessment of the entity's susceptibility to fraud or process for identifying and responding to fraud risk factors; including how the entity reports and address actual or suspected fraud.
68. The absence of fraud assessment procedures increases the risk of fraud going undetected. In addition, staff may not be able to identify fraud or know where or how to report the actual or suspected occurrence.
69. An effective anti-fraud program should be established as a written policy. A vital part of this program is fraud risk assessment, and its result should be communicated to those charged with governance. The policy should identify how often the fraud risk assessment is to be performed (minimum of annually is recommended) and the personnel responsible for the assessment.

# CONCLUSION

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70. This report provides a summary of our audits of Ministries, Portfolios and Offices and the Statutory Authorities and Government Companies of the Cayman Islands Government for 2016-17.
71. The quality of the Government's financial reporting has improved significantly over recent years during which time the amount of modified audit opinions i.e. qualified, adverse or disclaimed, has decreased to 11% of all audited entities. Over the same period, particularly the most recent two years, there has 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.
72. 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.
73. Whilst the story is one of progress regarding financial reporting, specifically at the individual entity 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*.
74. The most significant accountability and efficiency improvements I recommend are the timely laying of annual reports including the financial statements and audit opinions in the Legislative Assembly and then publication on the entity and Legislative Assembly websites to improve accountability and stronger functional leadership being provided to all public sector entities through the Ministry of Finance.
75. 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 or incomplete production of financial statements causing issues with achieving the statutory audit deadline;
  - weaknesses in the internal control environments and governance of certain entities creating increased risks of mismanagement and abuse;
  - non-compliance with laws and regulations; and
  - the capacity of some smaller entities to implement effective financial management, governance and internal control arrangements.

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.



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*30<sup>th</sup> May 2019*

## APPENDIX A – STATUS OF THE 2015-16 AUDITS

Ministries/Portfolios/Offices	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	28 February 2018	Unqualified with Emphasis of Matter	
Director of Public Prosecution	31 October 2016	Unqualified	27 March 2017
Information Commissioner's Office	31 October 2016	Unqualified	22 March 2017
Judicial Administration	31 October 2016	Qualified	27 March 2017
Ministry of Community Affairs	15 September 2017	Unqualified	14 March 2018
Ministry of District Admin, Tourism & Transport	18 November 2016	Unqualified	27 March 2017
Ministry of Education, Employment and Gender Affairs	18 November 2018	Unqualified	
Ministry of Finance and Economic Development	25 October 2016	Unqualified	15 March 2017
Ministry of Home Affairs	31 October 2016	Unqualified	24 February 2017
Ministry of Financial Services, Commerce and Environment	31 October 2016	Unqualified with Emphasis of Matter	24 February 2017
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	31 October 2016	Unqualified	15 March 2017
Ministry of Health and Culture	3 August 2018	Unqualified with Other Matter	
Office of the Complaints Commissioner	31 October 2016	Unqualified	22 March 2017
Portfolio of the Civil Service	31 October 2016	Unqualified with Emphasis of Matter	16 March 2018
Portfolio of Legal Affairs	31 October 2016	Unqualified	27 March 2017

SAGCs	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	21 October 2016	Unqualified	24 February 2017
Cayman Airways Limited	24 February 2017	Unqualified with Emphasis of Matter	14 March 2018
Cayman Islands Airport Authority	In Progress		
Cayman Islands Development Bank	26 October 2016	Unqualified with Emphasis of Matters	22 February 2017
Cayman Islands Monetary Authority	20 December 2016	Unqualified	1 November 2017
Cayman Islands National Insurance Company	April 25, 2019	Unqualified	
Cayman Islands National Museum	26 October 2016	Qualified with Emphasis of Matter	23 August 2017
Cayman Islands Stock Exchange	28 October 2016	Unqualified	24 February 2017
Cayman National Cultural Foundation	31 October 2016	Qualified with Emphasis of Matter	
Cayman Turtle Farm (1983) Ltd.	28 October 2016	Unqualified with Emphasis of Matter	22 February 2017
Children & Youth Services Foundation	26 October 2016	Unqualified	22 February 2017
Civil Aviation Authority	31 October 2016	Unqualified	24 February 2017
Electricity Regulatory Authority	27 October 2016	Unqualified with Emphasis of Matter	22 February 2017
Health Services Authority	13 April 2017	Qualified with Other Matter	23 August 2017
Information and Communications Technology Authority	31 October 2016	Unqualified with Emphasis of Matter	27 June 2018
Maritime Authority of the Cayman Islands	31 October 2016	Qualified with Other Matter	24 February 2017
National Drug Council	21 October 2016	Unqualified	
National Gallery of the Cayman Islands	28 October 2016	Qualified with Emphasis of Matter and Other Matter	23 August 2017
National Housing Development Trust	24 October 2017	Unqualified with Other Matter	

<b>SAGCs</b>	<b>Date Audit Completed or Progress</b>	<b>Audit Opinion</b>	<b>Tabled in the Legislative Assembly</b>
National Roads Authority	26 May 2017	Unqualified with Emphasis of Matter	14 March 2018
Port Authority of the Cayman Islands	15 September 2017	Unqualified with Emphasis of Matter	
Public Service Pensions Board	28 October 2016	Unqualified with Emphasis of Matter	15 March 2017
Segregated Insurance Fund	26 October 2016	Unqualified with Other Matter	22 February 2017
Sister Islands Affordable Housing Development Corporation	31 October 2016	Unqualified	27 March 2017
Tourism Attraction Board	8 August 2018	Unqualified	
University College of the Cayman Islands	26 October 2016	Unqualified	
Water Authority of the Cayman Islands	31 October 2016	Unqualified	14 March 2018

## APPENDIX B - STATUS OF THE 2016-17 AUDITS

Ministries/Portfolios/Offices	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	30-Apr-18	Unqualified	
Director of Public Prosecution	30-Apr-18	Unqualified	12-Sep-18
Information Commissioner's Office (from 1 July 2016 to 12 September 2017)	30-Apr-18	Unqualified with Emphasis of Matter	
Judicial Administration	30-Apr-18	Unqualified	
Ministry of Community Affairs	3-May-18	Qualified	
Ministry of District Admin, Tourism & Transport	3-May-18	Unqualified	28-Jun-18
Ministry of Education, Youth, Sports, Agriculture and Lands	In planning		
Ministry of Finance and Economic Development	8-Apr-18	Unqualified with Other Matter	27-Jun-18
Ministry of Human Resources and Immigration	30-Apr-18	Qualified	
Ministry of Financial Services and Home Affairs	13-Jul-18	Unqualified with Emphasis of Matter	
Ministry of Health, Environment, Culture and Housing	In planning		
Ministry of Commerce, Planning and Infrastructure	13-Jul-18	Unqualified	14-Nov-18
Office of the Complaints Commissioner (from 1 July 2016 to 12 September 2017)	30-Apr-18	Unqualified with Emphasis of Matter	
Office of the Ombudsman (from 13 September 2017)	31 October 2016	Unqualified with Emphasis of Matter	16 March 2018
Portfolio of the Civil Service	31 October 2016	Unqualified	27 March 2017

SAGCs	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	20-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18
Cayman Airways Limited	25-May-18	Unqualified with Emphasis of Matter	
Cayman Islands Airports Authority	In progress		
Cayman Islands Development Bank	17-May-18	Unqualified with Emphasis of Matter	
Cayman Islands Monetary Authority	30-Apr-18	Unqualified	28-Jun-18
Cayman Islands National Insurance Company	April 25, 2019	Unqualified	
Cayman Islands National Museum	15-Nov-18	Unqualified with Emphasis of Matter	
Cayman Islands Stock Exchange	30-Apr-18	Unqualified	27-Jun-18
Cayman National Cultural Foundation	30-Apr-18	Qualified with Emphasis of Matter	
Cayman Turtle Farm (1983) Ltd.	In progress		
Children & Youth Services Foundation	30-Apr-18	Unqualified with Emphasis of Matter	
Civil Aviation Authority	30-Apr-18	Unqualified	28-Jun-18
Electricity Regulatory Authority (from 1 July 2016 to 15 January 2017)	30-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18
Health Services Authority	30-Apr-18	Qualified with Emphasis of Matter	
Information and Communications Technology Authority (from 1 July 2016 to 15 January 2017)	30-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18
Maritime Authority of the Cayman Islands	8-Aug-18	Unqualified	14-Nov-18
National Drug Council	30-Apr-18	Unqualified	
National Gallery of the Cayman Islands	30-Apr-18	Unqualified with Other Matter	
National Housing and Development Trust	30-Apr-18	Unqualified with Other Matter	



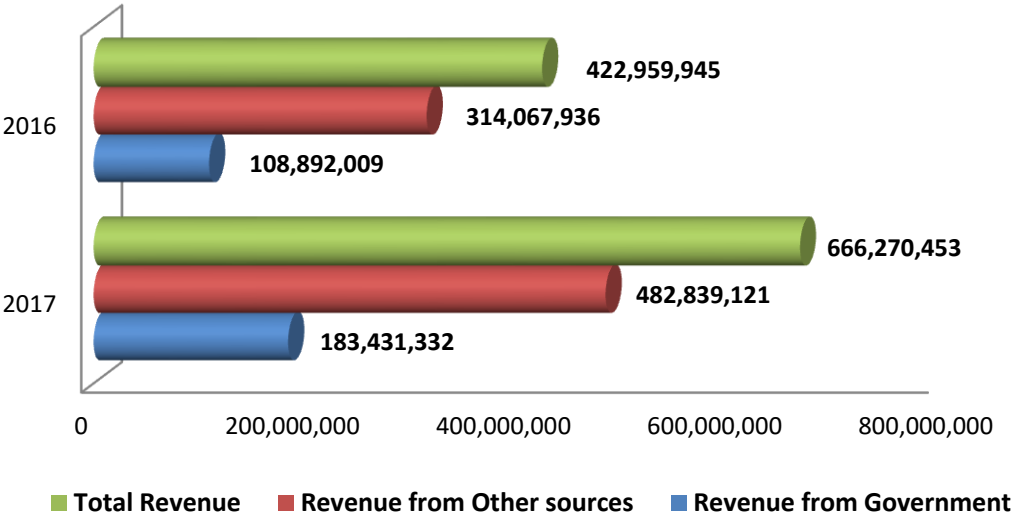
<b>SAGCs</b>	<b>Date Audit Completed or Progress</b>	<b>Audit Opinion</b>	<b>Tabled in the Legislative Assembly</b>
National Roads Authority	2 November 2018	Unqualified with Emphasis of Matter	
Port Authority of the Cayman Islands	In progress		
Public Service Pensions Board	30-Apr-18	Unqualified with Emphasis of Matter	
Sister Islands Affordable Housing Development Corporation	30-Apr-18	Unqualified	28-Jun-18
Segregated Insurance Fund	19-Apr-18	Unqualified with Other Matter	
Tourism Attractions Board	2 November 2018	Unqualified	
University College of the Cayman Islands	30-Apr-18	Unqualified	
Utilities Regulation and Competition Office (from 16 January 2017)	30-Apr-18	Unqualified	27-Jun-18
Water Authority of the Cayman Islands	30-Apr-18	Unqualified	

# APPENDIX C - FINANCIAL PERFORMANCE OF STATUTORY AUTHORITIES & GOVERNMENT COMPANIES (SAGCS)

77. This section of the report provides an overall financial assessment of all SAGCs for which an audit was conducted<sup>1</sup> and budgeted numbers used for those entities whose audits are still in progress for the 2016-17 18-month fiscal period and 2015-16 fiscal year. The analysis highlights some common trends over the two periods, and also identifies key financial performance and financial position elements which gives, at a global level, some insight into the operations of these entities.

## REVENUE FROM GOVERNMENT

Exhibit 6: SAGCs Sources of revenues



78. 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 agreement. The level of revenue sourced from the Government compared to total revenues increased from approximately 23% for 2015-2016 to 28% for the 18-month period ended 31 December 2017.

<sup>1</sup> Audits still ongoing – CIAA, Port Authority & Cayman Turtle Farm. As PSPB operates as a trust it was not included in this global assessment, but is discussed separately in this report.

79. In some instance the revenue sourced 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. The exhibit below lists those SAGCs whose revenues from the Government for 2016-17 represent more than 50% of their total revenue.

**Exhibit 7: SAGCs Government Revenue exceeds 50% of Total Revenue**

<b>Entity</b>	<b>Revenues from Govt (Outputs)</b>	<b>% of Total Revenue</b>
Auditor Oversight Authority	472,500	<b>99%</b>
National Drug Council	955,000	<b>96%</b>
Children & Youth Services Foundation	3,617,000	<b>88%</b>
Cayman Islands National Museum	1,231,200	<b>82%</b>
Cayman National Cultural Foundation	943,350	<b>73%</b>
Tourism Attractions Board	2,928,021	<b>61%</b>
University College of the Cayman Islands	6,315,449	<b>56%</b>

80. Of the \$183 million of revenue sourced from the Government for 2016-17, \$131 million (72%) was generated by four entities, the most significant being the Health Services Authority which earned \$76 million of revenue (representing 42% of its total revenue for the 18-month period). The other entities with significant revenues from the Government were:

- Cayman Airways Limited - \$26 million (25% of total revenue)
- Cayman Islands Monetary Authority - \$20.8 million (44% of total revenue)
- National Roads Authority - \$7.5 million (32% of total revenue)

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**EQUITY INJECTIONS**

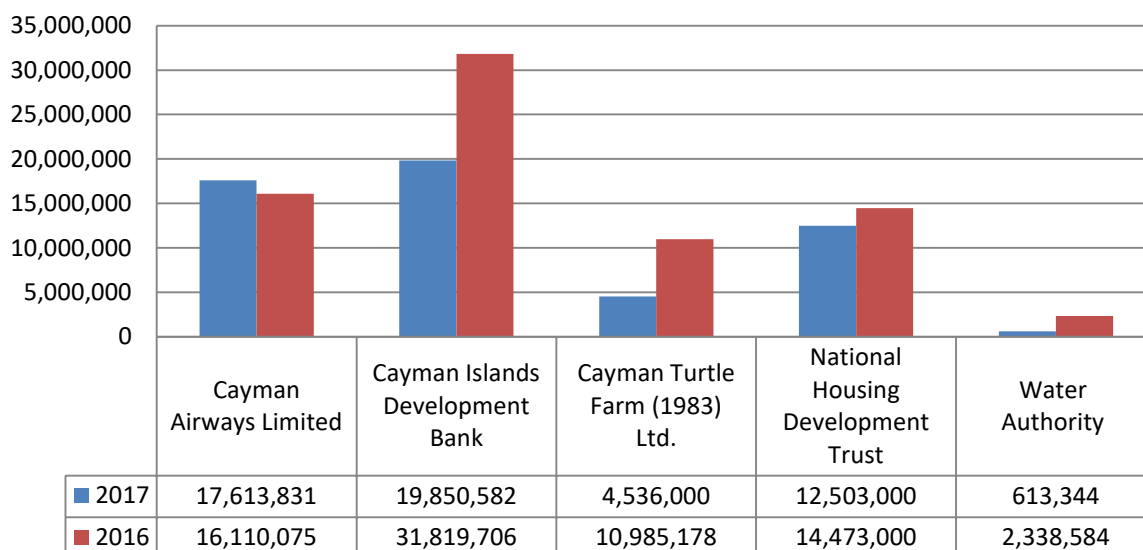
81. In addition to revenue from providing outputs, SAGCs also received Government equity injections of \$29 million in 2016-17, which was a slight increase compared to the \$26 million of equity injected in 2015-16.

82. The most significant equity injection, which collectively represented 80% of the total equity injections in 2016-17, were made to the Cayman Airways Limited - \$13.6 million and the Cayman Islands Development Bank - \$9.8 million. The Health Services Authority and the National Housing Development Trust also received equity injections of \$2.5 million and \$3.4 million respectively.

## NON-CURRENT DEBTS/LOANS

83. The total non-current portion of debts/loans of SAGCs as at 31 December 2017 decreased by \$22 million compared to the balance at 30 June 2016 to \$55 million. This debt was held by eight entities as presented in the exhibit below.

**Exhibit 8: SAGCs Non-Current Debts/Loans**



84. Government provides the guarantee for the debt held by Cayman Airways, Cayman Islands Development Bank (CIDB), Cayman Turtle Farm and the National Housing Development Trust, which represents approximately 99% of the total debts/loans held by all SAGCs.

## POST-RETIREMENT HEALTH CARE OBLIGATIONS

85. 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.

86. To be eligible for these benefits employees of SAGCs would have had to be previously employed with central government and been transferred to a SAGC, worked no less than 10 years in the public service and retired from the public service.

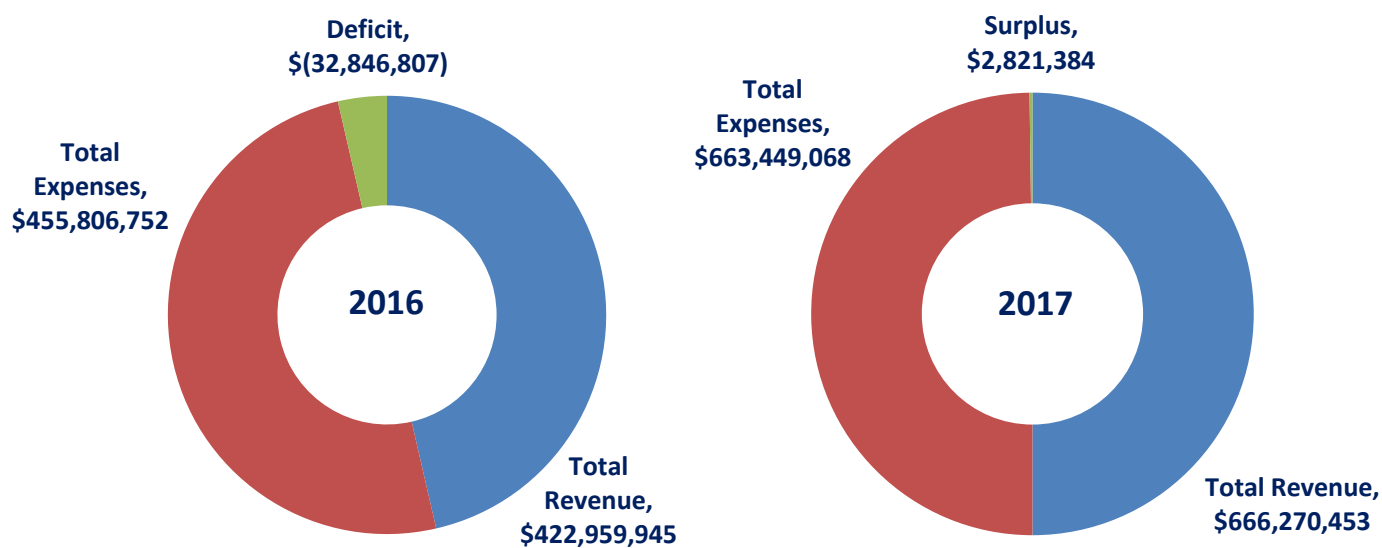
87. SAGCs that employed eligible persons undertook actuarial assessment in 2017 and retrospectively adjusted their 2016-17 financial statements to reflect their respective obligations as at the 31 December 2017. The cumulative obligation booked by 9 SAGCs was \$252 million for 2016-17 as detailed in the exhibit below.

**Exhibit 9: SAGCs Post-Retirement Health Care Obligations**

Entity	As at 31 December 2017
Cayman Islands Airport Authority	15,763,000
Cayman Islands Monetary Authority	6,520,000
Civil Aviation Authority	2,082,000
Health Services Authority	149,118,000
Maritime Authority	5,490,000
National Roads Authority	16,510,000
Port Authority	37,208,000
Public Service Pension Board	1,300,000
Water Authority	18,065,000

SAGC FINANCIAL PERFORMANCE

**Exhibit 10: SAGCs Financial Performance**

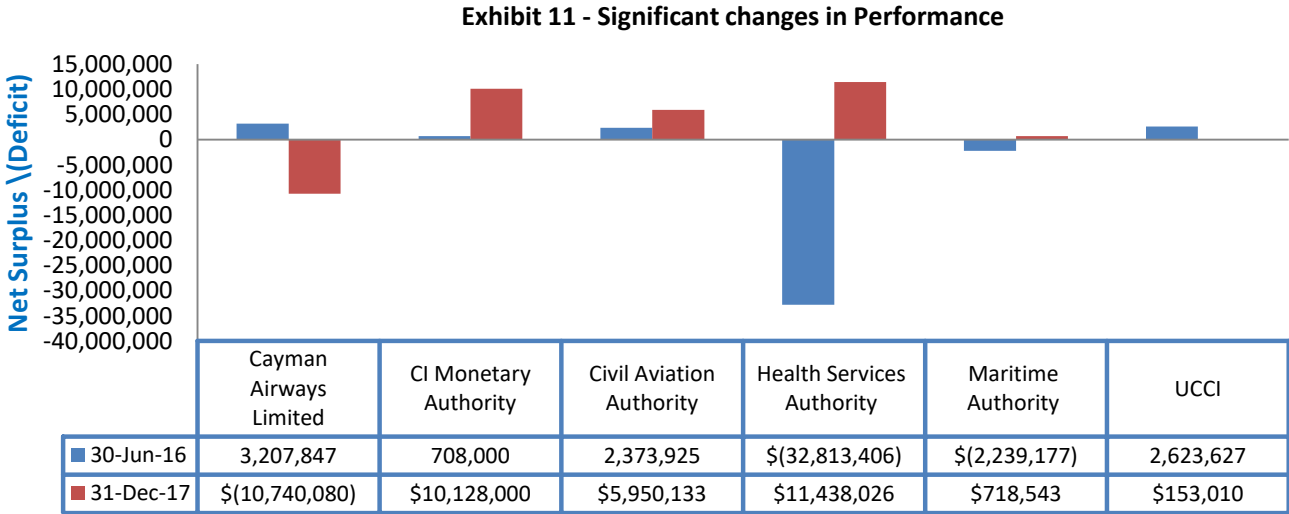


88. Exhibit 10 shows that the cumulative deficit of SAGCs for 2015-16 fiscal year was \$33 million and for the 2016-17 18-month fiscal period there was an improvement in performance with a cumulative surplus of \$3 million being recorded.

89. I wish to point out to readers that the performance data presented in this report for the 2015-16 fiscal year will differ to performance data presented in my previous general report covering the 2014-15 and 2015-16 periods due to restatements being made to reflect the initial recognition and re-measurement of some entity’s defined benefit pension and healthcare liabilities (as discussed in para 85 - 87).

90. The improved performance was primarily due to larger surpluses being returned for a number of entities compared to the prior period, and some entities who in the prior year had report major deficits reporting surpluses in 2016-17.

91. Exhibit 11 provides a summary of some of the entities with significant movement in performance. I have not included entities whose 2016-17 financial audits are still ongoing, but it should be noted that based on budgeted figures, the Cayman Turtle Farm projected surplus for 2016-17 is \$10 million and this number is included in the total cumulative surplus for all SAGCs (Exhibit 10).



92. The most significant changes in performance, both positive and negative were the Health Services Authority, which moved from a deficit of \$33 million in 2015-16 to a surplus of \$11 million in 2016-17; Cayman Islands Monetary Authority, which improved from a surplus of \$708 thousand in 2015-16 to a surplus of \$10 million in 2016-17; and Cayman Airways, which moved from a surplus in 2015-16 of \$3 million to a deficit of \$11 million in 2016-17. I will discuss these variances in performances below in my overview of specific entity results.

## SPECIFIC ENTITY RESULTS - SAGCS

93. This section of the report provides a brief analysis of the reported results for a number of the SAGCs, focusing on those entities that have or potentially have concerns regarding their continuing operation or where there are other matters that I feel should be reported in the public interest.
94. I have also included in this section some of the key instances where it was necessary to draw to the attention of those charged with governance deficiencies in internal controls or other significant findings.
95. Deficiency in internal control exists when:
- A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, a misstatement in the financial statements on a timely basis.
  - A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.
  - Significant deficiency in internal control – A deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

### CAYMAN AIRWAYS LIMITED (CAL)

#### Exhibit 12: CAL’s financial performance 2012-13 to 2016-17

Statement of Financial Performance	Y/E 30 June 2013	Y/E 30 June 2014	Y/E 30 June 2015	Y/E 30 June 2016	Period ending 31 December 2017
Revenues	51,583,803	55,858,903	56,395,143	56,936,727	78,251,585
Govt. Output Funding	18,169,183	17,805,808	17,805,800	17,305,800	26,459,010
<b>Total Revenues</b>	<b>69,752,986</b>	<b>73,664,711</b>	<b>74,200,943</b>	<b>74,242,527</b>	<b>104,710,595</b>
Expenses	75,478,193	75,647,771	71,143,165	71,034,680	115,450,674
<b>(Loss)/Surplus</b>	<b>(5,725,207)</b>	<b>(1,983,060)</b>	<b>3,057,778</b>	<b>3,207,847</b>	<b>(10,740,080)</b>

96. The deficit of Cayman Airways Limited (CAL) for 2016-17 was the product of total revenues of \$104 million and total expenses of \$115 million (18 months), compared to total revenues of \$74 million and total expenses of \$71 million for 2015-16 (12 months).

97. Management of CAL cites the changes in the dynamics of the Cuba route(s), as well as the adverse development in fuel prices as some of the core reasons for the negative performance. Additionally it was noted that passenger revenue which represents 65% of total revenue for 2016-17 did not translate into at least 150% of the prior year revenue given the 18-month period.
98. All things being equal the expectation for 2016-17 18-month period passenger revenues should have been \$75 million, compared to the actual of \$68 million, which contributed \$7 million to significant deficit for the period.
99. Other factors which contributed to CAL's deficit include increased maintenance expenses in 2016-17 for engine repairs, higher depreciation owing to significant additions to aircraft and engines, which have been introduced to the fleet and a slight increase in salaries and wages.
100. For the 2016-17 audit of CAL I did not identify any deficiencies in internal control that was considered to be significant to merit communication to TCWG.

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CAYMAN ISLANDS DEVELOPMENT BANK (CIDB)

101. Exhibit 13 provides details of the CIDB's financial performance for the last five years.

**Exhibit 13: CIDB's Financial Performance 2012-13 to 2016-17**

Statement of Financial Performance	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2016	Period ended 31 December 2017
Operational Revenues	2,423,408	1,978,489	1,689,538	1,911,344	2,370,329
Govt. Output Funding	566,768	574,768	570,768	569,268	850,153
Operational Expenses	(1,865,913)	(1,038,481)	(1,353,403)	(574,042)	(1,775,971)
<b>Net revenue operations</b>	<b>1,124,263</b>	<b>1,514,776</b>	<b>906,903</b>	<b>1,906,570</b>	<b>1,444,511</b>
Admin Expenses	(1,611,097)	(1,465,422)	(1,576,187)	(1,502,057)	(2,183,267)
<b>Net Income/(Loss)</b>	<b>(486,834)</b>	<b>49,354</b>	<b>(669,284)</b>	<b>404,513</b>	<b>(738,756)</b>

102. CIDB reported a deficit in 2016-17 of \$739 thousand compared to a surplus of just over \$400 thousand in the prior year. One main factor for this negative performance was a significant increase in the provision for loan impairment which increased from \$24 thousand in 2015-16 to \$670 thousand in 2016-17.
103. There was also a greater than expected increase in interest expense on long-term debt which was \$966 thousand compared to \$493 thousand in the prior year. This increase in interest expense was attributable to a rise in the interest rate of U.S. 3-month LIBOR by 129% moving from 0.653% (low rate) in July 2016 to 1.495% in December 2017.

**Exhibit 14: CIDB's deficiencies in internal controls for 2016-17**



Observation	Management Response
<p><b>High Delinquency rate</b> CIDB delinquency rate is extremely high. Delinquent loans stood at \$17,136,960 as of June 30, 2016, representing 52% of the entire loan portfolio and \$16,338,612 as of December 31, 2017, representing 56% of the total loan portfolio.</p>	<p><i>The delinquency rate has not risen despite the % shown. The loan portfolio has decreased by principal payments and without new loan growth, the % will be inflated until the bank exercises write offs. The \$670K provision increase is mainly attributed to the deterioration of properties held for sale under foreclosure. Legal remediation does not always produce better collection results and can often lead to increased provisioning to absorb legal costs. Discussions will be held with the new Board with a view to outsourcing collections that will warrant increased output from Government.</i></p> <p><i>Analysis of the Bank's collection activities is ongoing and we have found that the most effective collection activity is by way of salary deductions. Regular telephone calls, monthly reminder letters and legal action have also proven to be effective.</i></p>
<p><b>Absence of a Board as required by Law</b> The term of appointment of the Bank's Board of Directors (BOD) expired on 31 March 2017, and a new Board was not appointed by Cabinet until March 2018.</p>	<p><i>The new Board met May 25<sup>th</sup>, 2018 and reviewed the CIMA audit to commence remediation of notes. The Board will meet monthly to start implementing their areas of concern and provide periodic updates to CIMA.</i></p>
<p><b>High number of restructured loans</b> We continue to see a large number of restructuring primarily to capitalize interest and/or property insurance payments. In the 18-month period ended 31 December 2017 loans totaling \$1.28m (4%) [2016: \$3.16m (10%)] were restructured. Four (4) of these restructured loans have an outstanding principal balance of \$167k and are 90 days or more in arrears and therefore considered impaired.</p>	<p><i>Restructures are carried out with the intent to improve the likelihood of repayment and to assist struggling customers. The intent is not to inflate income and certainly this would be a temporary inflation if they fall Non-Accrual (NAL) again.</i></p> <p><i>The Bank drafted a restructure policy and same was not implemented due to the absence of a Board of Directors. Upon approval by the Board, the Credit Policy will be updated to reflect specific conditions required to be considered eligible for a restructure. In the interim, the Bank utilizes the internal Credit Committee.</i></p>
<p><b>There are key weaknesses that were identified in the on-site CIMA inspection including:</b> Evidence of poor record keeping and loan loss provisioning practices, specifically relating to the maintenance</p>	<p><i>We are currently working on getting updated property valuation reports for all loans listed on the quarterly Proposed Loan Loss Provision report and it is projected that the exercise will be completed by the 31<sup>st</sup> December 2018.</i></p> <p><i>The discount rate of collateral applied as part of the</i></p>

Observation	Management Response
<p>of adequate support for collateral, outdated collateral valuations, undocumented bases for discount rate of collateral as a part of the Bank's provisioning calculation and the absence of consideration of past loss experience and macroeconomic conditions in the provisioning policy.</p>	<p><i>Bank's provisioning calculation is well documented in the individual property valuation reports found on the security files for the loans. These reports factor macroeconomic conditions. The Loan Loss Provisioning Policy will be updated upon completion of KPMG's implementation of IFRS9.</i></p>
<p><b>There are key weaknesses from the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) audit conducted by Global Compliance Solutions (GCS) in the November 2017 including:</b></p> <ul style="list-style-type: none"> <li>• A formal business risk assessment has not been documented.</li> <li>• Instances where client identity documents were not certified or notarized.</li> <li>• Procedures to ascertain if a loan applicant is a Politically Exposed Person (PEP) are not being followed.</li> <li>• Clients are not being screened against all applicable sanction lists and a procedure to complete screening has not been documented in the Manual.</li> </ul>	<p><i>All findings/issues raised in the GCS report will be addressed by management and internal policies and procedures updated accordingly.</i></p> <p><i>In addition, the Board of Directors is currently assessing the need for a full-time or part-time AML/Compliance officer who will take over all AML/CFT duties and ensure the Bank is fully in compliance with all CIMA's Rules &amp; Regulations [ <b>An AML Compliance officer has been hired subsequent to this management comment</b>].</i></p>

104. Exhibit 15 provides details of the CIMA’s financial performance for the last five years.

**Exhibit 15: CIMA’s Financial Performance 2012-13 to 2016-17**

Statement of Financial Performance	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2016	Period ended 31 December 2017
Revenues	3,832,000	10,033,000	13,315,000	13,715,000	26,088,000
Govt. Output Payments	14,865,000	9,865,000	6,865,000	10,693,000	20,750,000
<b>Total Revenues</b>	<b>18,697,000</b>	<b>19,898,000</b>	<b>20,180,000</b>	<b>24,408,000</b>	<b>46,838,000</b>
Expenses	18,885,000	19,214,000	20,337,000	23,700,000	36,710,000
<b>Net Income/(Loss)</b>	<b>(188,000)</b>	<b>684,000</b>	<b>(157,000)</b>	<b>708,000</b>	<b>10,128,000</b>

105. CIMA reported a significant surplus for 2016-17 of \$10 million which was due primarily to increased output funding from Government of \$21 million compared to \$11 million in the prior year. This is an increase of 91%, which is higher than the expected increase of 50% in light of the 18-month fiscal period.

106. This increase in government funding was mainly to address the increased cost of operation, in particular the cost related to preparation for Caribbean Financial Action Task Force (CFATF) assessment.

**Exhibit 16: CIMA’s deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>Procurement of professional services</b> The CIMA at times engages the services of third party professionals in order to carry out its mandated regulatory function. (e.g. forensic service). The nature of these operations is extremely sensitive and as such, CIMA often times sole source under Section 37(3) of the <i>Financial Regulations</i> under exceptional circumstances.</p>	<p><i>CIMA is reviewing its procurement procedures to examine how we can enhance the process and will take the Auditor General’s recommendation into consideration.</i></p> <p><i>[It was recommended by the Auditor General that CIMA could consider entering into “call out contracts” with the service providers whereby rates per function (e.g. forensics) are pre-determined. An internal policy may then be determined for rotation of service providers based on expertise, experience or skill set relevant on a case by case basis]</i></p>

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## CIVIL AVIATION AUTHORITY (CAA)

107. Exhibit 17 provides details of the CAA's financial performance for the last five years.

### Exhibit 17: CAA's Financial Performance 2012-13 to 2016-17

Statement of Financial Performance	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2016	Period ended 31 December 2017
Revenues	6,286,524	6,924,267	7,340,149	7,452,098	12,366,212
Govt. Output Payments	-	-	-	-	-
<b>Total Revenues</b>	<b>6,286,524</b>	<b>6,924,267</b>	<b>7,340,149</b>	<b>7,452,098</b>	<b>12,366,212</b>
Expenses	4,074,194	4,424,175	3,791,638	5,078,173	6,416,079
<b>Net Income</b>	<b>2,212,330</b>	<b>2,500,092</b>	<b>3,548,511</b>	<b>2,373,925</b>	<b>5,950,133</b>

108. The CAA continued to maintain a strong financial performance during 2016-17 with an increase in net income compared to 2015-16 of \$3.6 million (150%). Compared to the prior year its operational revenues in 2016-17 increased by \$4.1 million (55%) and operational expenses increased over the same period by \$2 million (51%). These increases are consistent with expectations given the 18-month period for 2016-17.

109. The main factor for the significant increase in net income is the swing in re-measurement of the defined benefit pension and healthcare obligations which moved from a loss of (\$838 thousand) in 2015-16 to a gain of \$757 thousand in 2016-17, a change of \$1.6 million.

110. As a result of its positive financial performance CAA was able to make dividends payments to the Government of \$3.5 million and \$2 million for 2016-17 and 2015-16 respectively.

111. For the 2016-17 audit of CAA I did not identify any deficiencies in internal control that was considered to be significant to merit communication to TCWG.

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## CULTURAL AND ARTS COMPANIES

112. The three cultural and arts organizations, the National Gallery, the National Museum and the National Cultural Foundation are all strongly dependent on Government funding to continue operating in the future. In 2016-17 of the three entities only the National Cultural Foundation reported a deficit, whereas in 2015-16 only the National Museum reported a modest surplus.

**Exhibit 18: Cultural & Arts Companies Financial Performance for 2015-16**

Entity	Revenues from Govt (Outputs)	Revenue from Other Sources	Total Revenue	Expenses	Surplus/ (Deficit)
Cayman Islands National Museum	820,800	209,444	1,030,244	1,003,947	26,297
Cayman National Cultural Foundation	628,900	264,745	893,645	1,006,409	(112,764)
National Gallery of the Cayman Islands	401,850	433,158	835,008	1,096,867	(261,859)

**Exhibit 19: Cultural & Arts Companies Financial Performance for 2016-17**

Entity	Revenues from Govt (Outputs)	Revenue from Other Sources	Total Revenue	Expenses	Surplus/ (Deficit)
Cayman Islands National Museum	1,231,200	279,066	1,510,266	1,381,861	128,405
Cayman National Cultural Foundation	943,350	357,549	1,300,899	1,531,270	(230,371)
National Gallery of the Cayman Islands	703,775	1,139,173	1,842,948	1,739,857	103,091

113. In addition to reporting a deficit of \$230 thousand the National Cultural Foundation received \$943 thousand of Government funding, which represented 73% of all its revenue for 2016-17. In 2015-16 70% of its revenue was sourced from Government.

114. It should be noted that although the National Museum showed improvement in its net operating performance in 2016-17, it required 82% of its revenue from Government in order to cover its operating expenses, this was a nominal increase compared to 2015-16 where 80% of its revenue was sourced from Government.

115. The National Gallery has shown an all-round performance by moving from a significant loss of \$262 thousand in 2015-16 to a surplus of \$103 thousand in 2016-17 and at the same time reducing the level of government funding from 48% of total revenue to 28% for the respective reporting period.

**Exhibit 20: CNCF’s deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>No bank processed cheques are retained by the Foundation</b>                      In attempting to test the design and implementation of the dual signatory control for cash disbursements it was noted that no copies of the cheques written were maintained by the Foundation and the financial institution did not provide the information, as per management’s request. Therefore, the team was unable to test the operating effectiveness of the control given that the design and implementation of the control failed.</p>	<p><i>We refer to the recommendation in the 2016 audit where it states that “copies of the cheques for disbursements should be retained <b>or requested from the bank</b>, to show and audit trail”. Once received from the auditors, the testing sample was forwarded to the bank within 24 hours. Going forward, we request that the testing sample be supplied earlier in the audit process, as opposed to three weeks in, as was the case in with the audit for the period ended December 31, 2017. While it is true that FCIB took a further 3 weeks to produce them, scans of the requested cheques were submitted to the auditor before the deadline. In the future, we will either maintain copies of all cheques or request copies from the bank in advance, as recommended</i></p>

**Exhibit 21: CI National Museum’s deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>Review of CCTV footage</b>                      One of the controls implemented by Management to address the risk that the donation box money in the Museum building would be pilfered was to install a CCTV camera as a deterrent. However, the review of the footage is not carried out regularly.</p>	<p><i>Footage is reviewed randomly by 3 staff members, and in response to reported events. Management does not consider it feasible to designate an officer to watch the footage captured on a continual basis. Management has considered this risk and accepts it on a cost vs. benefit basis.</i></p>

**Exhibit 22: National Gallery's deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>Review of CCTV footage</b>                      The National Gallery partly relies on the deterrence of any cash pilferage from its donation boxes through the use of cameras that are focused on these areas. However, there is not a monitoring of the footages (expectedly on a test basis) to demonstrate that management could find any irregularity.</p>	<p><i>To mitigate risk identified Operations Manager will review camera overlooking donation boxes twice a month. These procedures will be included in donation box handling policy and procedures. A reporting template will also be included that will have to be completed and signed after each review. This will be implemented as of 1st of July 2018.</i></p>

HEALTH SERVICES AUTHORITY (HSA)

**Exhibit 23: HSA Financial Performance and Position 2012-13 to 2016-17**

Statement of Financial Performance	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2016	Period ended 31 December 2017
Patient Services Revenue	63,608,641	63,931,779	75,958,323	62,409,278	87,167,789
Govt Output Funding: Patient Services	16,211,928	17,062,234	12,579,525	27,075,848	51,519,946
Govt Output Funding: Programmes	13,476,999	14,465,166	13,327,533	13,077,623	19,884,435
Other Income	617,832	891,773	1,122,324	2,673,187	22,257,250
<b>Total Revenues</b>	<b>93,915,400</b>	<b>96,350,952</b>	<b>102,987,705</b>	<b>105,235,936</b>	<b>180,829,420</b>
Expenses	99,538,253	94,486,473	104,847,671	138,049,342	169,391,394
<b>Net income/(Loss)</b>	<b>(5,622,853)</b>	<b>1,864,479</b>	<b>(1,859,966)</b>	<b>(32,813,406)</b>	<b>11,438,026</b>
Statement of Financial Position	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016	As at 31 December 2017
Allowance for Bad Debts	45,533,298	57,089,591	78,129,937	96,541,131	89,185,439
Bad Debt Write offs	4,010,851	3,608,313	2,302,332	3,513,807	26,893,210
Equity Injection	1,561,470	849,567	847,500	7,037,715	2,542,264

116. The HSA financial statements for 2015-16 were restated during the 2016-17 to reflect the actuarially determined amounts for post-retirement health care liability. This adjustment resulted in HSA booking a liability as at 30 June 2016 of \$143 million that is inclusive of prior year obligations, a 2015-16 increase in staff cost expenses of \$11 million to recognize the obligation to

be expensed for that year, and a comprehensive loss for the actuarial re-measurement of the obligation of \$20 million.

117. The impact of these adjustments on the HSA’s 2015-16 financial performance and financial position was a change from a previously reported loss of \$1.7 million to a loss of \$33 million and a change from a net worth position of \$82 million to a net deficit position of \$49 million.

118. In 2016-17 the HSA reported a net income of \$11 million, which was largely due to the re-measurement of the both the defined pension and healthcare plans which resulted in other comprehensive income of \$20 million for the 18-month period.

119. As at 31 December 2017 the gross accounts receivable of the HSA were \$97 million, however, the HSA made an allowance for bad debts of \$85 million reporting net account receivables of \$12 million. The HSA also report other receivables of \$2.4 million, which was the product of gross other receivables \$6.9 million less bad debt allowance of \$4.6 million.

120. HSA also wrote off \$18 million of patient services revenue and \$8 million of other revenue that was deemed as uncollectible.

**Exhibit 24: Health Services Authority’s deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>Non-Compliance to Financial Regulations on Tendering</b> Section 37 of the Financial Regulations states that a prescribed entity, statutory authority or government company is required to offer for public tender –</p> <ul style="list-style-type: none"> <li>a. Any contract for the purchase of supplies, services and assets over \$50k; and</li> <li>b. The sale of assets with a book value of \$50k or more.</li> </ul> <p>Instances were noted where the provisions of the regulations were not fully adhered to.</p>	<p><i>The new Procurement Law comes into effect in 2018 and is more prescriptive in procurement practices than what previously existed under the Financial Regulations.</i></p> <p><i>Staff received training on procurement in 2017 and continues to receive additional training in 2018.</i></p> <p><i>Management will remain vigilant in ensuring compliance with procurement laws, regulations and best practices.</i></p>
<p><b>Overtime</b> For the 18-month period ended 31 December 2017, overtime expense was reported at \$5.9 million (30 June 2016: \$2.9 million) Due to the significance of this account, we conducted a further review it was noted that actual overtime</p>	<p><i>Overtime is managed through monthly monitoring and justification is required for its use. As a 24/7 emergency operation, it will be difficult to entirely eliminate overtime.</i></p> <p><i>Management has developed a policy and associated procedure for the use of overtime; is actively seeking to fill existing vacancies and has implemented mitigation measures to reduce the risk of staff errors</i></p>



tremendously exceeded overtime budget by 510%.			<i>due to excessive hours worked.</i>		
			<i>The analysis currently being carried out will be used to inform the budget for this cost in future years.</i>		
<b>2016-17 Overtime (\$000)</b>					
<b>Actual</b>	<b>Budget</b>	<b>Variance</b>			
5,880	963	4,916			

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MARITIME AUTHORITY OF THE CAYMAN ISLANDS (MACI)

121. MACI's financial statements for 2015-16 were restated during the 2016-17 to reflect the actuarially determined amounts for post-retirement health care liability. This adjustment resulted in MACI booking a liability as at 30 June 2016 of \$5 million that is inclusive of prior year obligations, a 2015-16 increase in staff cost expenses of \$414 thousand to recognize the obligation to be expensed for that year, and a comprehensive loss for the actuarial re-measurement of the obligation of \$1.4 million.

**Exhibit 25: MACI Financial Performance 2012-13 to 2016-17**

Statement of Financial Performance	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2015	Year ended 30 June 2016	Period ended 31 December 2017
Revenues	8,465,649	9,173,603	8,406,825	8,911,240	14,925,544
Govt Output Funding	394,028	432,270	429,716	427,945	539,145
<b>Total Revenues</b>	<b>8,859,677</b>	<b>9,605,873</b>	<b>8,836,541</b>	<b>9,339,185</b>	<b>15,464,689</b>
Expenses	9,237,394	8,823,202	8,386,801	11,578,362	14,746,146
<b>Net Income/(Loss)</b>	<b>(377,717)</b>	<b>782,671</b>	<b>449,740</b>	<b>(2,239,177)</b>	<b>718,543</b>

122. The impact of these adjustments on the MACI's 2015-16 financial performance and financial position was a change from a previously reported net income of \$250 thousand to a loss of \$2 million and a change from an equity position of \$3.5million to a deficit position of \$2.2 million.

123. In 2016-17 MACI reported a net income of \$719 thousand which was largely due to the re-measurement of the both the defined pension and healthcare plans that resulted in other comprehensive income of \$1.8 million for the 18-month period.

**Exhibit 26: Maritime Authority’s deficiencies in internal controls for 2016-17**

<b>Observation</b>	<b>Management Response</b>
<p><b>Procurement controls deficiencies</b>            Financial Regulations Section 37 (2018 Revision) requires that the Authority offer for public tender contracts for purchases of services over \$50,000 that value for money must be clearly demonstrated. The ability to demonstrate compliance is critical, but in our view certain practices do demonstrate compliance. For example, prescribed entity to show that extraordinary conditions exist that justify lifting of ordinary requirements.</p> <p>With regards to the hiring of the Authority’s professional fee contractor, practices are not currently designed to readily demonstrate value for money.</p>	<p><i>MACI has a procurement policy which was aligned with the new procurement law and which was signed into effect on March 1 2018 by the CEO.</i></p>
<p><b>Lack of proper policies and segregation of duties</b></p> <p>During the current and prior year audits we reviewed a number of control procedures in place and found certain areas requiring improvements, such as: Lack of policies (property, plant and equipment capitalization policy), lack of adequate segregation of duties (in particular, the Director of Operations performs Head of Information Technology functions), and timeliness of processing information and implementing controls.</p>	<p><i>MACI accepts this recommendation and will endeavor to develop the necessary Finance policies. Capitalization policy will be completed and will go into effect by Dec 2018.</i></p>

124. The Trust continues to report significant losses due to high operating cost and negative margins on the sale of houses. In 2016-17 the amount of revenue generated from sales was lower than in prior years due to only 4 houses being sold during the 18-month period compared to 10 in the prior year.

125. The Trust also earns revenue from the rental of houses and interest and strata fees on mortgaged.

**Exhibit 27: NHDT's Financial Performance and Position 2012-13 to 2016-17**

Statement of Financial Performance	Year ending 30 June 2013	Year ending 30 June 2014	Year ending 30 June 2015	Year ending 30 June 2016	Period ending 31 December 2017
Revenues	704,000	467,000	1,270,000	3,004,000	1,139,173
Govt Output Funding	642,000	645,000	580,000	581,000	871,000
<b>Total Revenues</b>	<b>1,346,000</b>	<b>1,112,000</b>	<b>1,850,000</b>	<b>3,585,000</b>	<b>1,999,000</b>
Expenses	2,904,000	2,641,000	3,553,000	6,157,000	3,764,000
<b>(Loss)</b>	<b>(1,558,000)</b>	<b>(1,529,000)</b>	<b>(1,703,000)</b>	<b>(2,572,000)</b>	<b>(1,765,000)</b>
Statement of Financial Position	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016	As at 31 December 2017
Shareholder (Deficit)/Equity	1,105,000	3,940,000	4,645,000	4,507,000	6,064,000
Loans Payable	19,362,000	18,185,000	16,979,000	15,743,000	13,825,000
Equity Injection	2,145,000	2,992,000	2,439,000	2,436,000	3,353,000

126. In addition to the \$871 thousand received from the Government as output funding for 2016-17, the Trust receives an equity injection of \$3.4 million which is a cumulative injection of \$13 million over the last 5 reporting periods. The Trust will need the continued support from Government in order to meet its long term obligations and to sustain its current operations.

127. For the 2016-17 audit of NHDT I did not identify any deficiencies in internal control that was considered to be significant to merit communication to TCWG.

128. Exhibit 28 provides details of the performance of the Pensions Board and pension funds.

**Exhibit 28: PSPB Financial Performance and Position 2012-13 to 2016-17**

Statement of Accumulated Plan Benefits	Year ending 30 June 2013	Year ending 30 June 2014	Year ending 30 June 2015	Year ending 30 June 2016	Period ending 31 December 2017
Present value of Accumulated Plan Benefits – Actuarial Valuation	494,849,000	624,239,000	624,239,000	624,239,000	624,239,000
Net Assets Available	413,338,000	483,831,000	511,357,000	552,290,000	684,832,000
<b>Fund Deficit/Income</b>	<b>(81,511,000)</b>	<b>(140,408,000)</b>	<b>(112,882,000)</b>	<b>(71,949,000)</b>	<b>60,593,000</b>
Statement of Changes to Net Assets Available for Benefits	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016	As at 31 December 2017
Contributions	42,227,000	37,198,000	37,769,000	58,782,000	77,550,000
Benefits Paid to Participants	25,516,000	29,923,000	33,472,000	35,760,000	49,471,000
<b>Net Pensions</b>	<b>16,711,000</b>	<b>7,275,000</b>	<b>4,297,000</b>	<b>23,022,000</b>	<b>28,079,000</b>
Investment Income	44,802,000	67,031,000	29,702,000	26,727,000	116,560,000
Investment Expenses	3,943,000	4,335,000	3,883,000	4,383,000	7,550,000
<b>Net Investment Income</b>	<b>40,859,000</b>	<b>62,696,000</b>	<b>25,819,000</b>	<b>22,344,000</b>	<b>109,010,000</b>
Operating Income	135,000	149,000	161,000	159,000	96,000
Operating Expenses	3,561,000	3,624,000	3,675,000	3,787,000	4,844,000
<b>Net Operating Loss</b>	<b>(3,426,000)</b>	<b>(3,475,000)</b>	<b>(3,514,000)</b>	<b>(3,628,000)</b>	<b>(4,748,000)</b>
<b>NET INCREASE IN ASSETS</b>	<b>54,144,000</b>	<b>66,496,000</b>	<b>26,799,000</b>	<b>41,692,000</b>	<b>133,298,000</b>

129. For the 18-month period ending 31 December 2017 the net assets available for benefits stood at \$684.8 million which represents an approximate increase of \$132.5 million or 24% in net assets available for benefit from 30 June 2016. This positive performance resulted in a change from a fund deficit in the 2015-16 of \$71 million to a surplus of \$60 million in 2016-17.

130. The Funds continue to remain in good financial health and hold a diversified portfolio of bonds and equity securities that, over the long term, provides above average returns with minimized variability. The fund portfolio mix consist of:

- Global equities – 80.9%
- Global investment grade credit – 19%
- Cash – 0.1%

**Exhibit 29; PSPB’s deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>Non-tendering of key ongoing services</b>                      During the audit, it was noted that some key services with existing service providers which in total are above the tender threshold, tend to continue from one year to the next without going through a formal annual tender assessment process which requires these services to be tendered or outlines justification for continuing with the service provider.</p> <p>For e.g. Legal services, Chief Investment Officer and Actuary services.</p>	<p><i>In keeping with ‘Global, best practices’ Management of the PSPB do periodic due diligence checks to our overseas service providers. PSPB Management views its relationships with service providers as partnerships and as such participates in client reviews from time to time. In terms of planned RFPs over the medium term, PSPB will issue an RFP for actuarial/benefit consultancy services at an appropriate time following the 1/1/2020 funding valuation which is an acceptable market cycle for same. The Board will take the OAG’s recommendations into consideration when they are developing a policy and ensure that the final policies and procedures are shared with the OAG.</i></p>
<p><b>Benefits Due are not accrued in a timely manner</b>                      During the audit it was noted that the year-end accrual process of benefits due was not adequately carried out which resulted in significant year-end adjustments mainly as a result of the below:</p> <ul style="list-style-type: none"> <li>• There were instances where some persons who had reached the age of retirement and whose benefits were not yet commenced had not been adequately accrued.</li> <li>• There were instances where persons were eliminated from the prior year benefits due schedule but should have remained on the schedule as their benefits had not yet commenced.</li> </ul>	<p><i>Major revisions of the Plan occurred with the introduction of The Public Service Pensions (Contribution Rate) Regulations in 2016 of which most notable was the change in the Normal Retirement Age from 60 to 65. This legislation impacted the Benefits Due schedule. However, internal deadlines and changes in procedures have been put in place to ensure that the correct amounts are accrued at the financial year end going forward.</i></p>
<p>Lack of formal fraud/risk assessment policy</p> <p>There were no formal policies and procedures for identifying and responding to fraud risk factors during</p>	<p><i>The Pension Risk Management Review initiated in 2016 is ongoing and it is currently in the finalization stage. In tandem, the Managing Director has selected a senior PSPB officer who has undertaken training and since been appointed as the Acting,</i></p>

Observation	Management Response
<p>the financial year end.</p> <p>However, it is acknowledged that PSPB has taken steps to have formal policies and procedures in place and were working on a risk and control assessment document which had not been finalized at year end.</p>	<p><i>Chief Risk Officer, who along with the core Chief Officer group, is working on fully establishing the risk function within the organization.</i></p> <p><i>Once the report from Mercer is submitted to the Board in October 2018, the Board will develop a clear documented policy and procedure to deal with fraud risk.</i></p>

#### UTILITY REGULATION AND COMPETITION OFFICE (OFREG)

131. The Utility Regulation and Competition Office (OFREG) is an authority that was established by the enactment of the *Utility Regulation and Competition Law* and commenced operation on 16 January, 2017. It is an amalgamation of the Information and Communications Technology Authority (ICTA) the Electricity Regulatory Authority (ERA) and the Petroleum Inspectorate.

132. In the exhibits below I have provided a summary of the financial performance of ICTA & ERA for the 2015-16 and the period up to 15 January 2017 when they both ceased operations, as well as the financial performance for OFREG for the period 16 January 2017 to 31 December 2017.

#### Exhibit 30: ERA & ICTA Financial Performance 2015-16

Entity	Revenues from Govt (Outputs)	Revenue from Other Sources	Total Revenue	Expenses	Surplus/ (Deficit)
ERA	15,040	743,297	758,337	566,997	191,340
ICTA	325,489	1,739,599	2,065,088	2,204,340	(139,252)

#### Exhibit 31: ERA & ICTA Financial Performance as at 15 Jan 2017 and OFREG Financial Performance 16 Jan 2017 to 31 Dec2017

Entity	Revenues from Govt (Outputs)	Revenue from Other Sources	Total Revenue	Expenses	Surplus/ (Deficit)
ERA	21,667	390,391	412,058	375,968	36,090
ICTA	176,307	1,274,556	1,450,863	1,478,437	(27,574)
URCO	698,487	2,331,810	3,030,297	4,476,385	(1,446,088)

133. OFREG incurred a significant loss of \$1.4 million in the first 11.5 months of operations which was due primarily to a provision for the implementation of a fuel sector and water sector regulatory fees that was provided for in the 2017 budget, but was being implemented as the

Ministry did not give OFREG the go ahead to implement the fees in 2017, as it was considered not expedient at that time to do so.

**Exhibit 32: OFREG’s deficiencies in internal controls for 2016-17**

Observation	Management Response
<p><b>No approved traveling policies in place</b> During the audit we noted that there was no formal travel policy in place that clearly states how the expenditure for traveling should be managed.</p>	<p><b><i>Observation and recommendation noted and agreed.</i></b> <i>A formal travel policy has been prepared, is being taken through the approval process and will be implemented during the current financial year, in accordance with the recommendation.</i></p>
<p><b>No formal business case</b> During the course of the audit, we reviewed a number of sample transactions at the Office and noted that there was no evidence of formal business cases for official travel which an independent auditor can review. It was also noted that a total amount of \$234,233 was incurred for traveling during the period.</p>	<p><b><i>Observation and recommendation noted and agreed.</i></b> <i>We will institutionalize the process to prepare formal business cases for travel to ensure that all travel are justified and provide value for money, as per your recommendation.</i></p>
<p><b>No tendering process for external contracts. Section 37 of the Public Management and Finance Law (2017 Revision).</b> During the audit it was noted that there was no formal tendering process for external contracts.</p>	<p><b><i>Observation and recommendation noted and agreed.</i></b> <i>The Office has taken steps since May 2018 to be compliant with the Procurement Law 2018. A procurement Coordinator has been named and the Entity Procurement Committee has been setup under the Office to ensure that the tendering process is followed at all times in accordance relevant laws. This is a work in progress, but the procedures are being implemented urgently</i></p>
<p><b>No Board approval for the purchasing of a motor vehicle for the Executive Director, Energy and Utilities.</b> <b>No approved motor vehicle policies in place.</b></p>	<p><i>The Procurement Law and Board Policies will be adhered to. A formal Motor Vehicle Policy is being prepared, will be taken through the approval process and will be implemented during the current financial year.</i></p>

134. The UCCI reported a net income for the period ending 31 December 2017 of \$153 thousand, which was significantly less than the substantial total net income report for 2016 of \$2.6 million. The significant income for 2016 was mainly attributable to income from the revaluation of land and building of \$2.3 million and from the re-measurement of defined benefit pension of \$73 thousand.

**Exhibit 33: UCCI's Financial Performance and Position 2012-13 to 2016-17**

Statement of Financial Performance	Year ending 30 June 2013	Year ending 30 June 2014	Year ending 30 June 2015	Year ending 30 June 2016	Period ending 31 December 2017
Revenues	2,771,663	2,947,118	3,256,964	5,801,890	4,976,937
Govt Output payments	3,905,976	4,248,542	4,073,205	4,077,658	6,315,449
<b>Total Revenues</b>	<b>6,677,639</b>	<b>7,195,660</b>	<b>7,330,169</b>	<b>9,879,548</b>	<b>11,292,386</b>
Expenses	7,088,432	7,313,125	7,316,388	7,255,921	11,139,376
<b>Net Income/(Loss)</b>	<b>(410,793)</b>	<b>(117,465)</b>	<b>13,781</b>	<b>2,623,627</b>	<b>153,010</b>
Statement of Financial Position	As at 30 June 2013	As at 30 June 2014	As at 30 June 2015	As at 30 June 2016	As at 31 December 2017
Shareholder Equity	3,258,627	5,567,856	5,582,013	8,205,984	8,359,530
Accumulated Deficit	(1,533,112)	(1,650,577)	(1,636,796)	(1,246,926)	(936,916)
Current Assets	1,417,769	1,427,583	1,942,769	2,353,312	3,042,565
Current Liabilities	1,465,915	792,778	1,984,471	1,893,212	2,193,874

135. As was the case in prior periods, UCCI continues to be dependent on an annual subsidy from the Government in order to meet its operating cost. For 2016-17 UCCI received government funding of \$6 million which is 56% of total revenues.

136. For the 2016-17 audit of UCCI I did not identify any deficiencies in internal control that was considered to be significant to merit communication to TCWG.



# APPENDIX D - FINANCIAL PERFORMANCE OF MINISTRIES, PORTFOLIOS & OFFICES

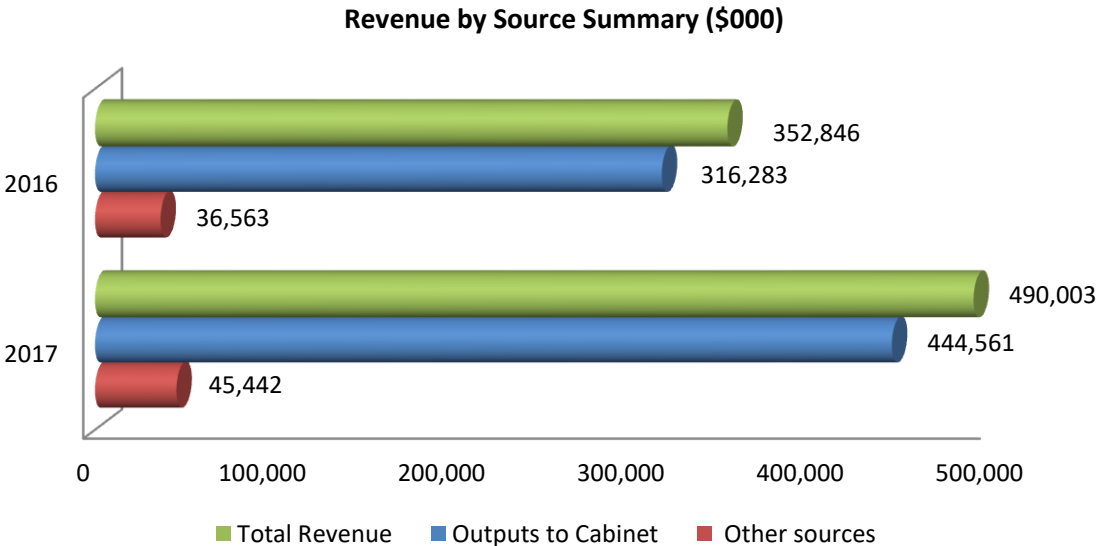
137. This section of the report provides a brief financial assessment of all Ministries, Portfolios and Offices (M/P/O) for which an audit was conducted for the 2016-17 18-month reporting period and 2015-16 reporting year with budgetary information included for those audits that are still ongoing to facilitate comparative analysis. I have also highlighted some of the control deficiencies and other significant findings noted while auditing some of these entities.

## SUMMARY FINANCIAL ASSESSMENT - REVENUES

138. Ministries and Portfolios generate their revenue by delivering goods and services on behalf of the Cabinet and collecting revenue from the resulting outputs, as well as from charging 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 entity.

139. 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 authorized through the appropriation process. The exhibit below summarises M/P/O revenue by source.

**Exhibit 34: Ministries, Portfolios and Offices Revenues<sup>2</sup>**



<sup>2</sup> Budget numbers used for entities with audits still ongoing

140. For the 18-month period 2016-17 the total revenue when compared to the prior year 2015-16 on an average basis showed a slight decrease of approximately \$2 million per month. However, the proportion of revenue for 2016-17 remained consistent with 90% being sourced from Cabinet and 10% from other sources as was the case in 2015-16.

141. 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 labor driven as a considerable portion of the programs and activities of the Government are service oriented.

142. As illustrated in the following exhibit, with the exception of the Ministry of Commerce Planning and Infrastructure, all entities received between 80% - 100% of its revenue from providing outputs to Cabinets. This is consistent with prior years.

**Exhibit 35: Ministries, Portfolios and Offices 2016-17 Revenues by source**

<b>Entity</b>	<b>Outputs to Cabinet (\$'000)</b>	<b>Other Sources (\$'000)</b>	<b>Total Revenue (\$'000)s</b>	<b>% Revenue Cabinet Funded</b>
Cabinet Office	10,987	2,327	13,314	83%
Director of Public Prosecution	4,748	0	4,748	100%
Information Commissioners Office	647		647	100%
Judicial Administration	9,721	71	9,792	99%
Ministry of Community Affairs	27,138	233	27,371	99%
Ministry of District Administration, Tourism and Transport	46,857	875	47,732	98%
Ministry of Education, Youth, Sports, Agriculture & Land	118,775	1,453	120,228	99%
Ministry of Finance and Economic Development	29,403	6,874	36,277	81%
Ministry of Fin. Services & Home Affairs	31,950	3,940	35,890	89%
Ministry of Health, Environment Culture & Housing	24,635	4,186	28,821	85%
Ministry of Human Resources and Immigration	81,728	12,081	93,809	87%
Ministry of Commerce, Planning & Infrastructure	31,900	11,575	43,475	73%

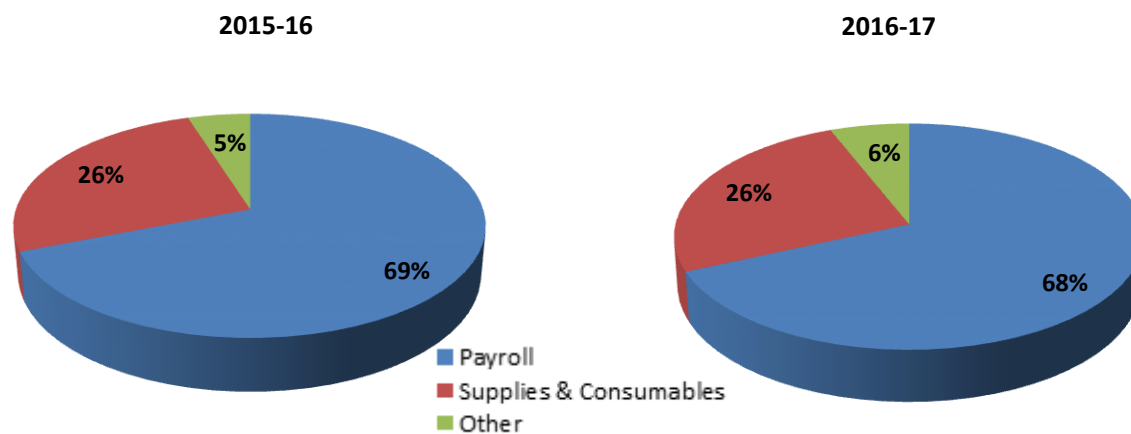
Entity	Outputs to Cabinet	Other Sources	Total Revenue	% Revenue Cabinet Funded
Office of the Complaints Commissioner	682		682	100%
Office of the Ombudsman	801	0	801	100%
Portfolio of the Civil Service	14,270	686	14,956	95%
Portfolio of Legal Affairs	10,319	1,141	11,460	90%

## SUMMARY FINANCIAL ASSESSMENT - EXPENSES

143. Total expenses for Ministries, Portfolios and Offices for 2016-17 were \$468 million and for 2015-16 were \$335 million. As was the case with revenues, average expenses for the 18-month period ending 31 December 2018 decreased by approximately \$2 million per month when compared to the monthly average for the prior year.

144. As discussed earlier, Ministries, Portfolios and Offices are service oriented and as a result payroll cost dominates the total expenses incurred by all entities in 2016-17, representing around 68% of total expenses, which was consistent with the prior year as illustrated in the exhibit below.

**Exhibit 36: Expenses by type**



145. As has been highlighted in previous general reports, the ability to independently assess the effectiveness of the resources used is minimized 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.

146. 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 authorized for the specific objective.

147. 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.

148. 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 entity's service performance, as well as provide clarity of the relationship between the entity's service performance objectives and its service performance achievements for the respective fiscal period.

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#### FINANCIAL PERFORMANCE AND POSITION

149. For 2016-17 all of the Ministries, Portfolios and Offices for which an audit had been completed reported either a surplus or broke even (total revenue equaled total expenditure) on their statement of financial performance.

150. This performance though positive should not be assessed in a vacuum but should also consider the related services performance indicators and measures to determine the efficiency and effective of the respective entities operations, a process which is currently lacking as noted above.

151. Due to the suspension of provisions of the *Public Management and Finance Law* which required entities to report on their outputs, an assessment of the efficiency and effective of entity's financial performance was not within the scope of my financial audits.

152. Exhibit 37 presents the net surplus or nil for break even for Ministries, Portfolios and Offices for the 18-monthh period ended 31 December period.

**Exhibit 37: Financial Performance – 18 month period ended 31 December 2017**

<b>Entity</b>	<b>Surplus/deficit (,000)</b>
Cabinet Office	1,098
Director of Public Prosecution	418
Information Commissioners Office	-
Judicial Administration	596
Ministry of Community Affairs	2,399
Ministry of District Administration, Tourism and Transport	1,693
Ministry of Finance and Economic Development	5,185
Ministry of Fin. Services & Home Affairs	1,265
Ministry of Human Resources and Immigration	2,656
Ministry of Commerce, Planning & Infrastructure	1,882
Office of the Complaints Commissioner	67
Office of the Ombudsman	417
Portfolio of the Civil Service	1,155
Portfolio of Legal Affairs	1,600

153. Consistent with their financial performance all entities for which an audit has been completed for 2016-17 reported healthy financial positions, with all entities having positive current ratios i.e. having adequate current assets to meet current obligations.

154. 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 an 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.

155. Exhibit 38 provides the current ratios for all Ministries, Portfolios and Offices for which an audit has been completed for the 2016-17 period.

**Exhibit 38: Financial Position as at 31 December 2017**

<b>Entity</b>	<b>Total Current assets</b>	<b>Current Liabilities</b>	<b>Current Ratio</b>
Cabinet Office	7,327	1,651	<b>4.44</b>
Director of Public Prosecution	941	742	<b>1.27</b>
Information Commissioners Office	111	49	<b>2.27</b>
Judicial Administration	3,078	2,085	<b>1.48</b>
Ministry of Community Affairs	10,068	4,713	<b>2.14</b>
Ministry of District Administration, Tourism and Transport	17,436	16,418	<b>1.06</b>
Ministry of Finance and Economic Development	18,254	9,062	<b>2.01</b>
Ministry of Fin. Services & Home Affairs	13,611	6,703	<b>2.03</b>
Ministry of Human Resources and Immigration	51,408	13,205	<b>3.89</b>
Ministry of Commerce, Planning & Infrastructure	17,416	12,206	<b>1.43</b>
Office of the Complaints Commissioner	285	127	<b>2.24</b>
Office of the Ombudsman	1,265	1,069	<b>1.18</b>
Portfolio of the Civil Service	6,913	5,670	<b>1.22</b>
Portfolio of Legal Affairs	3,676	2,094	<b>1.76</b>

**DEFICIENCIES IN INTERNAL CONTROLS & SIGNIFICANT FINDINGS**

156. 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 2016-17 audits of Ministries, Portfolios & Offices.

**Exhibit 39: Deficiencies in internal controls and Significant Findings for 2016-17**

<b>CABINET OFFICE</b>			
<b>Observation</b>	<b>Management Response</b>		
<p><b>Non-compliance with open tendering requirements</b>                      We were not provided with evidence of tendering/ approval by the Department Tender Committee for purchases of the fixed assets acquired during the 18 months to 31 December 2017 in the following amounts:</p> <table border="1"> <tr> <td align="center"><b>(KYD)</b></td> </tr> <tr> <td align="center">57,779</td> </tr> </table>	<b>(KYD)</b>	57,779	<p><i>Training has been provided to the UKO team under the new procurement law and regulations.</i></p> <p><i>This training was also extended across the Cabinet Office to the key finance/accounting and purchasing personnel</i></p>
<b>(KYD)</b>			
57,779			

CABINET OFFICE			
Observation	Management Response		
<table border="1" style="margin-left: 20px;"> <tr> <td style="text-align: center;">55,746</td> </tr> <tr> <td style="text-align: center;">153,751</td> </tr> </table> <p>It was also noted that Cabinet Office had not instituted clear procurement guidelines to be followed by its London Office (UKO) in the event that the Office's Procurement Policy (or the 2017 Cayman Islands Government Procurement Guidelines) is impracticable for use by the UKO.</p>	55,746	153,751	
55,746			
153,751			
<p><b>Contracts review</b> In the 18 months to 31 December 2017, the Office spent approximately \$331,000 on printing of gazettes. We noted that the Office does not have a valid (signed) contract with its gazettes printing service provider.</p>	<p><i>While our existing verbal contract with [the service provider] has been based on keeping printing costs at the same level they were in the early 2000s with notice of change, with Government's printing requirements increasing we accept the time has come to approach this expenditure from a different perspective. Accordingly we are planning to dramatically reduce our printing requirements by no longer printing commercial gazettes.</i></p> <p><i>We will continue to print laws for the attorney general's office although as discussed with that agency it will remain difficult to predict the size of this requirement. Once we have analyzed the quantitative impact of no longer printing the commercial gazette we will put the printing contract out to tender. Our current target date for this is November 2018</i></p>		
<p><b>Lack of follow-up on overdue receivables/ No policy on provisions</b> The provision for trade receivables as at 31 December 2017 (\$987k) amounts to 33% of the gross value of trade receivables (\$2,979k). In addition, there were no cash collections relating to the \$987k trade receivables outstanding more than 180 days at 31 December 2017. In addition, the Office does not have clear policies for estimating provisions and debt write-off.</p>	<p><i>Management accepts this recommendation and is currently working on a receivables policy in accordance with current treasury guidelines for receivables and debt write-offs</i></p>		

**MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS**

Observation	Management Response
<p><b>Overtime</b>                      Consistent with prior year, this account balance is significant. For the 18-month period ended 31 December 2017, overtime expense was 6.6M for Fire and Prison, representing a 58% increase in the overall expense. There were no business cases to support the majority of the overtime expenditure and no evidence that the overtime expense is being closely monitored due to its susceptibility to abuse.</p>	<p><i>PRISON</i>                      The prison service has recruited, during May 2018, 22 new recruits. This will reduce the numbers of posts that we work uncovered and subsequently the need for overtime payments.</p> <p><i>FIRE</i>                      A business case is being prepared to outline in details, the need, action plan and challenges to implementation of action plan.                      The current high overtime rate is based on several factors:</p> <ol style="list-style-type: none"> <li>1. The number of funded posts = 148. The actual current staffing is 98. A shortfall of 50 persons.</li> <li>2. Of the 98, - 8 are on light duties returning to work from injury or serious illness and cannot perform on the front line. 3 are still on Additional sick leave and 5 are on Required Leave. In the past year, 7 have resigned; 3 were terminated and 7 have retired. The other posts are vacant.</li> <li>3. Mandated manning levels require a set amount of staff on duty – particularly for aerodrome. This is linked to licensing approvals and monitored by Civil Aviation.</li> </ol> <p>The Manning changed from 3 to 4 persons at West Bay and Frank Sound Stations to comply with internationally recognised minimum manning levels. While manning levels changed, overall staffing numbers remained static.</p>
<p><b>Funding for replacement of assets</b>                      During the financial period, as a result of normal wear and tear from usage a number of assets were purchased as replacement. All of the assets were procured using funds appropriated through equity investment (E168) appropriations. Assets purchased for the first time should be funded through E168 and those that are being replaced should be funded using the depreciation funding that is obtained through the annual budget.</p>	<p><i>Historically we were instructed by Treasury and BMU to ensure capital was budgeted as an EI and also not to use depreciation funds for the purchase of replacement assets. There was never any clear directive and authorization for us to use depreciation funding for the replacement of assets as it would have a large impact on the CIG cash position. We have since requested formal guidance or directive from Treasury on this and will be more than willing to adhere once that directive is provided</i></p>



<b>MINISTRY OF DISTRICT ADMINISTRATION, TOURISM &amp; TRANSPORT</b>	
<b>Observation</b>	<b>Management Response</b>
<p><b>Lack of business cases for contracts entered into</b>            In the review of procurement of contracts it was observed that business cases were not prepared for the procurement of services for a number of contracts entered into during the financial period. Business cases supports management decision making and serves to ensure value for money is obtained and that the need for services is sufficiently appraised.</p>	<p><i>The Ministry of DATT procurement policy was implemented in 2014. A Business case requirement and criteria on preparing one was not specifically stated in the policy during the period this audit covers. However, the policy stated that all purchases over \$1,500 required a 3 quote form to be filled out and within this form a justification/business case was required hence many other procurements carried out by the Ministry do have a written justification. In addition, the Procurement Law came into effect in May 2018 which the Ministry will strictly follow.</i></p>
<p><b>Procurement of services</b>            Guidelines for the procurement of goods &amp; services are detailed in the Financial Regulations (2017 Revision) (section 37 as well as in the Ministry's procurement policy 2014. Both policies require amounts over \$100,000 to be procured by way of public tender along with three quotes.            During the audit the following weaknesses were observed in the review of procurement of services by the Ministry:</p> <ul style="list-style-type: none"> <li>a) There was no evidence presented for how services in relation to obtaining temporary staff for Department of Tourism (DOT) were procured. The total incurred for twelve months were in excess of \$100,000.</li> <li>b) Contracts entered into with recruitment agencies for providing temporary staff did not have an end date to signify when the contracted term would end.</li> </ul> <p>Best practices in contract management require contracts to have concise terms and guidelines.</p>	<p><i>The Ministry/Department hires temporary staff for vacant positions awaiting recruitment or for specific one-off projects where additional staff is required to achieve objectives. The Ministry/Department will follow procurement laws and guidelines when recruiting temporary staff. Also, The Ministry/Department will ensure that if/when these services are required that an end-date will be specified in accordance with agreed schedules, work plans, projects etc.</i></p>

MINISTRY OF DISTRICT ADMINISTRATION, TOURISM & TRANSPORT	
Observation	Management Response
<p><b>Fraud Assessment - Reiterated from prior year audit</b></p> <p>During the audit management did not provide documented evidence of the following:</p> <ul style="list-style-type: none"> <li>• A formal assessment of the Ministry's susceptibility to fraud.</li> </ul> <p>A policy document indicating the Ministry's process for identifying and responding to fraud risk factors; including how the Ministry report and address actual or suspected fraud.</p>	<p><i>A Government wide Anti-Fraud Policy was deployed in March 2017 as well as an Internal Control Policy was also deployed in November 2017. The Ministry Finance staff received formal training on the Anti-Fraud policy. Controls and policies continue to be reviewed and enforced and employees educated on a regular basis. We will document the process going forward</i></p>

PORTFOLIO OF THE CIVIL SERVICE	
Observation	Management Response
<p><b>Unearned Revenue</b></p> <p>The Deputy Governor's office collects fees for naturalization and British Overseas Territories Applications that are not recognized as revenue until the application is approved. During the course of the audit it was noted that the Portfolio is currently doing the opposite of this, as all fees collected are recorded as revenue after which fees that relates to pending applications are transferred to unearned revenue.</p>	<p><i>Management accepts this finding and will take steps in the new fiscal year to update the process by recording it as unearned revenue at the point of collection.</i></p> <p><i>During the previous audit, our auditor highlighted that no unearned revenue was recognized. After a thorough review exercise was completed, the DGO Office updated their systems in order to have a systematic way of recognizing unearned revenue. This process was to the auditor's satisfaction. There was no discussion of the matter now presented</i></p>

# APPENDIX E – FINANCIAL ANALYSIS - SAGCS

## STATEMENT OF FINANCIAL PERFORMANCE – SAGCS

Tables 1 to 4 present details of individual SAGCs reported results over the four years and 18-month period 2012-13 to 2016-17

**Table 1: Net Profit/Loss or Surplus/Deficit reported by SAGCs over the four years and 18-month period 2012-13 to 2016-17**

Year Ending	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17
Auditor Oversight Authority	9,644	0	194,428	5,709	46,023
Cayman Airways Limited	(5,725,207)	(1,983,060)	3,057,778	3,207,847	(10,740,080)
Cayman Islands Airport Authority <sup>3</sup>	(675,233)	1,689,181	10,016,853	10,885,197	13,109,095
Cayman Islands Development Bank	(486,834)	61,692	(669,284)	404,513	(717,454)
Cayman Islands Monetary Authority	(188,000)	684,000	(157,000)	708,000	10,128,000
Cayman Islands National Museum	(371,116)	5,217	(9,647)	26,297	128,405
Cayman National Cultural Foundation	(191,406)	(99,235)	(136,303)	(112,764)	(230,371)
Cayman Islands Stock Exchange	105,271	257,039	407,128	491,944	948,841
Cayman Turtle Farm (1983) Ltd <sup>3</sup>	(7,484,252)	(7,516,306)	(6,340,399)	(6,293,334)	(10,833,763)
Children & Youth Services Foundation	206,473	323,611	106,271	254,906	(134,215)
CINICO	3,542,473	4,596,067	(1,454,825)	(4,494,675)	(5,311,834)
Civil Aviation Authority	2,212,330	2,500,092	3,548,511	2,373,925	5,950,133
Electricity Regulatory Authority	307,479	286,796	396,916	191,340	36,090
Health Services Authority	(5,622,853)	1,864,479	(1,859,966)	(1,684,406)	11,438,026
Information & Communications Technology Authority	186,722	181,069	(104,169)	(139,252)	(27,574)
Maritime Authority	(377,717)	782,671	449,740	(401,177)	718,543
National Drug Council	147,541	(29,977)	1,120	12,796	34,003
National Gallery	(85,620)	(108,488)	(116,989)	(261,859)	103,091
National Housing Development Trust	(1,558,000)	(1,529,000)	(1,703,000)	(2,572,000)	(1,765,000)
National Roads Authority	(97,541)	304,055	(625,727)	(4,869,167)	(3,014,662)
Port Authority	378,000	325,451	349,696	(1,332,011)	(873,735)
Sister Islands Affordable Housing Development Corporation	(35,000)	(104,000)	(113,000)	(171,000)	(7,000)
Tourism Attraction Board	(97,957)	(49,368)	(214,875)	(277,094)	237,241
University College of the Cayman Islands	(410,793)	(117,465)	13,781	2,623,627	153,010

<sup>3</sup> Unaudited or budget number used where audit still ongoing

Year Ending	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17
Utilities Regulation and Competition Office					(1,446,088)
Water Authority of the Cayman Islands	3,808,611	1,879,657	4,061,412	(2,154,498)	(1,812,581)

**Table 2: SAGC expenses reported over the four years and 18-month period 2012-13 to 2016-17**

Year Ending	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17
Auditor Oversight Authority	169,632	288,682	336,568	366,217	432,477
Cayman Airways Limited	75,478,193	75,647,771	71,143,165	71,034,680	115,450,674
Cayman Islands Airport Authority <sup>3</sup>	28,302,586	24,779,335	20,608,024	20,468,353	34,406,906
Cayman Islands Development Bank	3,477,010	2,398,051	2,929,590	2,076,099	3,959,238
Cayman Islands Monetary Authority	18,885,000	19,214,000	20,337,000	23,700,000	36,710,000
Cayman Islands National Museum	1,166,395	1,059,849	1,005,436	1,003,947	1,381,861
Cayman National Cultural Foundation	943,110	968,656	1,037,422	1,006,409	1,531,270
Cayman Islands Stock Exchange	1,341,282	1,377,822	1,433,744	1,450,004	2,134,265
Cayman Turtle Farm (1983) Ltd <sup>3</sup>	13,860,298	13,556,614	13,503,226	14,828,316	21,709,329
Children & Youth Services Foundation	2,064,353	1,910,870	2,160,229	2,437,997	4,260,487
CINICO <sup>1</sup>	60,057,363	58,999,751	67,733,101	70,993,880	109,667,029
Civil Aviation Authority	4,074,194	4,424,175	3,791,638	5,078,173	6,416,079
Electricity Regulatory Authority	768,156	679,404	530,809	566,997	375,968
Health Services Authority	99,538,253	94,486,473	104,847,671	106,920,342	169,391,394
Information & Communications Technology Authority	1,513,953	1,597,885	1,927,540	2,204,340	1,478,437
Maritime Authority	9,237,394	8,823,202	8,386,801	9,740,362	14,746,146
National Drug Council	434,707	574,764	557,551	549,612	963,852
National Gallery	903,727	983,190	1,033,910	1,096,867	1,739,857
National Housing Development Trust	2,904,000	2,641,000	3,553,000	6,157,000	3,764,000
National Roads Authority	10,809,614	9,272,010	12,740,433	19,072,157	26,244,604
Port Authority <sup>3</sup>	19,115,365	22,902,951	20,180,531	25,631,898	35,166,826
Sister Islands Affordable Housing Development Corporation	902,000	160,000	523,000	717,000	330,000
Tourism Attraction Board	3,129,722	3,102,433	3,140,073	3,223,668	4,587,526
University College of the Cayman Islands	7,088,432	7,313,125	7,316,388	7,182,921	11,139,376
Utilities Regulation and Competition Office					4,476,385
Water Authority of the Cayman Islands	25,877,876	27,467,944	25,993,540	32,397,967	49,762,354

**Table 3: SAGC output revenue from Government sources reported over the four years and 18-month period 2012-13 to 2016-17**

<b>Year Ending</b>	<b>30-Jun-13</b>	<b>30-Jun-14</b>	<b>30-Jun-15</b>	<b>30-Jun-16</b>	<b>31-Dec-17</b>
Auditor Oversight Authority	179,276	288,682	502,042	315,000	472,500
Cayman Airways Limited	18,169,183	17,805,808	17,805,800	17,305,800	26,459,010
Cayman Islands Airport Authority	0	0	0	0	
Cayman Islands Development Bank	566,768	574,768	570,768	569,268	850,153
CIMA	14,865,000	9,865,000	6,865,000	10,693,000	20,750,000
Cayman Islands National Museum	620,527	887,173	820,800	820,800	1,231,200
Cayman National Cultural Foundation	567,231	679,394	628,900	628,900	943,350
Cayman Islands Stock Exchange	0	0	0	0	
Cayman Turtle Farm (1983) Ltd.	0	0	0	0	
Children & Youth Services Foundation	2,178,000	2,178,000	2,178,000	2,514,513	3,617,000
CINICO	27,136,398	27,039,000	28,309,378	29,706,436	31,712,156
Civil Aviation Authority	0	0	0	0	
Electricity Regulatory Authority	119,861	(342)	5,500	15,040	21,667
Health Services Authority	29,688,927	31,527,400	25,907,058	27,075,848	76,572,118
Information & Communications Technology Authority	340,091	345,551	345,551	325,489	176,307
Maritime Authority	394,028	432,270	429,716	427,945	539,145
National Drug Council	552,958	541,138	552,958	552,958	955,000
National Gallery	409,745	434,119	401,850	401,850	703,775
National Housing Development Trust	642,000	645,000	580,000	581,000	871,000
National Roads Authority	9,030,789	9,183,356	1,711,270	3,673,124	7,506,994
Port Authority	0	0	0	0	
Sister Islands Affordable Housing Development Corporation	74,000	55,000	72,000	72,000	108,000
Tourism Attraction Board	2,075,076	2,033,555	1,952,214	1,902,213	2,928,021
University College of the Cayman Islands	3,905,976	4,248,542	4,073,205	4,077,658	6,315,449
Utilities Regulation and Competition Office					698,487
Water Authority	0	0	0	0	472,500
<b>Total</b>	<b>111,515,834</b>	<b>108,763,414</b>	<b>93,712,010</b>	<b>101,658,842</b>	<b>183,431,332</b>

**Table 4: SAGCs Revenues by Type for the 18-month period ended 31 December 2017**

Entity	Revenues from Govt (Outputs)	Revenue from Other Sources	Total Revenue
Auditor Oversight Authority	472,500	6,000	478,500
Cayman Airways Limited	26,459,010	78,251,585	104,710,595
Cayman Islands Airport Authority <sup>4</sup>		47,516,001	47,516,001
Cayman Islands Development Bank	850,153	2,370,329	3,220,482
Cayman Islands Monetary Authority	20,750,000	26,088,000	46,838,000
Cayman Islands National Museum	1,231,200	279,066	1,510,266
Cayman National Cultural Foundation	943,350	357,549	1,300,899
Cayman Islands Stock Exchange	0	3,083,106	3,083,106
Cayman Turtle Farm (1983) Ltd <sup>4</sup> .	0	10,875,566	10,875,566
Children & Youth Services Foundation	3,617,000	509,272	4,126,272
CINICO	31,712,156	70,592,309	102,304,465
Civil Aviation Authority		12,366,212	12,366,212
Electricity Regulatory Authority	21,667	390,391	412,058
Health Services Authority	76,572,118	104,257,302	180,829,420
Information and Communications Technology Authority	176,307	1,274,556	1,450,863
Maritime Authority of the Cayman Islands	539,145	14,925,544	15,464,689
National Drug Council	955,000	42,855	997,855
National Gallery of the Cayman Islands	703,775	1,139,173	1,842,948
National Housing Development Trust	871,000	1,128,000	1,999,000
National Roads Authority	7,506,994	15,722,948	23,229,942
Port Authority of the Cayman Islands <sup>4</sup>		34,293,091	34,293,091
Sister Islands Affordable Housing Development Corporation	108,000	215,000	323,000
Tourism Attractions Board	2,928,021	1,896,746	4,824,767
University College of the Cayman Islands	6,315,449	4,976,937	11,292,386
Utilities Regulation and Competition Office	698,487	2,331,810	3,030,297
Water Authority of the Cayman Islands	0	47,949,773	47,949,773

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<sup>4</sup> Unaudited numbers taken from the draft financial statements

## APPENDIX F – SUPPORTING FINANCIAL ANALYSIS – MINISTRIES, PORTFOLIOS AND OFFICES

Tables 5 and 6 present details of individual Ministries, Portfolios and Offices reported results the four years and 18-month period 2012-13 to 2016-17. Budget or unaudited draft numbers are included for audits not completed to date.

**Table 5: Ministries, Portfolios and Offices Expenses Trend Analysis over the period 2012-13 to 2016-17**

Entity	2012-13 (\$'000)	2013-14 (\$'000)	2014-15 (\$'000)	2015-16 (\$'000)	2016-17 (\$'000)
Cabinet Office	10,249	5,751	5,802	6,841	12,216
Director of Public Prosecution	2,560	2,660	2,904	3,027	4,330
Information Commissioners Office	619	795	676	557	647
Judicial Administration	5,144	5,495	5,666	5,779	9,196
Ministry of Community Affairs, Youth and Sports	12,989	12,711	15,067	18,178	24,972
Ministry of District Administration, Tourism and Transport	35,170	30,014	27,990	29,002	46,039
Ministry of Education, Employment and Gender Affairs <sup>5</sup>	77,121	95,580	76,454	72,734	120,228
Ministry of Finance and Economic Development (Public Finance)	17,761	17,958	16,749	18,931	31,092
Ministry of Fin. Services, Commerce and Environment (Financial Services)	8,191	9,166	9,153	11,152	34,625
Ministry of Home Affairs, Health & Culture (Health & Culture) <sup>5</sup>	11,320	21,378	20,293	20,373	27,571

<sup>5</sup> Unaudited or budget number used where audit still ongoing

<b>Entity</b>	<b>2012-13 (\$'000)</b>	<b>2013-14 (\$'000)</b>	<b>2014-15 (\$'000)</b>	<b>2015-16 (\$'000)</b>	<b>2016-17 (\$'000)</b>
Ministry of Home Affairs	74,401	88,683	89,391	93,931	91,153
Ministry of Planning, Lands, Agriculture, Housing & Infrastructure	65,487	44,540	41,967	42,174	41,593
Office of the Complaints Commissioner	615	646	611	540	615
Office of the Ombudsman	N/A	N/A	N/A	N/A	384
Office of the Premier	1,843	N/A	N/A	N/A	N/A
Portfolio of the Civil Service	1,796	7,074	7,217	7,507	13,801
Portfolio of Legal Affairs	5,998	6,543	5,990	5,848	9,860



**Table 6: Ministries & Portfolios 2016-17 Revenue Analysis**

Entity	Outputs to Cabinet (\$'000)	Other Sources (\$'000)	Total Revenue (\$'000)s	% Revenue Cabinet Funded
Cabinet Office	10,987	2,327	13,314	83%
Director of Public Prosecution	4,748	0	4,748	100%
Information Commissioners Office	647		647	100%
Judicial Administration	9,721	71	9,792	99%
Ministry of Community Affairs, Youth & Sports	27,138	233	27,371	99%
Ministry of District Administration, Tourism and Transport (Tourism)	46,857	875	47,732	98%
Ministry of Education, Employment and Gender Affairs	118,775	1,453	120,228	99%
Ministry of Finance and Economic Development (Public Finance)	29,403	6,874	36,277	81%
Ministry of Fin. Services, Commerce and Environment (Financial Services)	31,950	3,940	35,890	89%
Ministry of Home Affairs, Health & Culture (Health & Culture)	24,635	4,186	28,821	85%
Ministry of Home Affairs	81,728	12,081	93,809	87%
Ministry of Planning, Lands, Agriculture, Housing & Infrastructure	31,900	11,575	43,475	73%
Office of the Complaints Commissioner	682		682	100%
Office of the Ombudsman	801	0	801	100%
Portfolio of the Civil Service	14,270	686	14,956	95%
Portfolio of Legal Affairs	10,319	1,141	11,460	90%

## APPENDIX G – INDIVIDUAL ENTITY REPORTING

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158. This appendix provides details of the specific matters that were included as qualifications in the Audit Reports of individual entities. Also provided are the matters of emphasis or other matters that were included in the Audit Reports for each 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.

159. With respect to the outstanding audits for 2015-16 and 2016-17, 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 - QUALIFICATIONS

ENTITY	2016 QUALIFICATION	2017 QUALIFICATION
<b>JUDICIAL ADMINISTRATION</b>	As was the case in 2015, a detailed fixed asset register was not maintained by Judicial Administration and was therefore not available for audit as at 30 June 2015. As a result, I was again unable to form an opinion on the completeness, existence, accuracy and valuation of the property, plant and equipment, as well as the depreciation expense for the year then ended and the related impact this would have on the equity of Judicial Administration, as at 30 June 2015. I also modified my opinion because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.	
<b>MINISTRY OF DISTRICT ADMINISTRATION , TOURISM &amp; TRANSPORT</b>	The matters which resulted in qualifications in 2015 were subsequently resolved. No new matters were noted in 2016 thereby resulting in an unqualified opinion being rendered.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>INFORMATION COMMISSIONER'S OFFICE</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>CABINET OFFICE</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>MINISTRY OF FINANCE &amp; ECONOMIC DEVELOPMENT</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.

<b>ENTITY</b>	<b>2016 QUALIFICATION</b>	<b>2017 QUALIFICATION</b>
<b>MINISTRY OF HUMAN RESOURCES &amp; IMMIGRATION</b>	Unqualified audit opinion.	For 2017 the Ministry received a qualified audit opinion due to non-compliance with International Public Sector Accounting Standards (IPSAS) 25 regarding disclosure of termination benefits.
<b>MINISTRY OF FINANCIAL SERVICES &amp; HOME AFFAIRS</b>		No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>MINISTRY OF COMMERCE, PLANNING &amp; INFRASTRUCTURE</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>MINISTRY OF COMMUNITY AFFAIRS</b>	Unqualified audit opinion.	<p>For 2017 the Ministry received a qualified audit opinion due to non-compliance with International Public Sector Accounting Standards (IPSAS) 20 and 25.</p> <p>IPSAS 20 requires entities to disclose the total amount of all other remunerations and compensations provided to related party – key management personnel. During the 18 month period ended 31 December 2017, the Ministry made a material payment to an employee who is key management personnel that met the IPSAS 20 definition of other remunerations and compensations. This payment has not been disclosed in note 14 of the financial statements as is required by IPSAS.</p> <p>IPSAS 25 requires entities to disclose separately the total amount of all expenses, which by their nature are considered to be termination benefits in a manner consistent with IPSAS 1 – Presentation of Financial</p>

ENTITY	2016 QUALIFICATION	2017 QUALIFICATION
<b>MINISTRY OF COMMUNITY AFFAIRS (continued)</b>		Statements. IPSAS 1 states “when items of revenue and expenses are material their nature and amounts shall be disclosed separately”. The Ministry made material severance payments during the fiscal period which meet the definition of termination benefits, but has not disclosed these expenses separately in the notes of the financial statements as required by IPSAS.
<b>PORTFOLIO OF THE CIVIL SERVICE</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.

## SAGCs - QUALIFICATIONS

ENTITY	2016 QUALIFICATION	2017 QUALIFICATION
<b>CHILDREN AND YOUTH SERVICES FOUNDATION</b>	The matters which resulted in qualifications in 2015 were subsequently resolved. No new matters were noted in 2016 thereby resulting in an unmodified opinion being rendered	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>CAYMAN ISLANDS NATIONAL MUSEUM</b>	For 2016 I qualified my opinion of the same matters that were noted for 2015 regarding the accuracy of property plant and equipment and the completeness of cash from funding raising activities and donations.	
<b>CAYMAN NATIONAL CULTURAL FOUNDATION</b>	<p>The Foundation was named as a defendant, among others, in a personal injury claim where a judgment was awarded during the year ended June 30, 2016. The judgment awarded the plaintiff damages of CI\$5,946,889 with a further sum and liability for legal costs, which at the 2016 fiscal year end was still to be determined. I was advised that the awarded amount was partially paid by the Cayman Islands Government but no determination was made with respect to whether reimbursement of the claim costs will be sought from the Foundation, or if the payment will be considered an additional contribution to the Foundation, as the Foundation is financially dependent on the Cayman Islands Government.</p> <p>I was unable to obtain sufficient, appropriate audit evidence relating to the amount of the damages applicable to the Foundation. Consequently, I was unable to determine whether any adjustments, if any, were necessary to make to the financial statements.</p>	

ENTITY	2016 QUALIFICATION	2017 QUALIFICATION
<b>HEALTH SERVICES AUTHORITY</b>	<p>For 2016, the Health Services Authority was qualified for the same matters as in 2015, except for the CINICO reconciliation issue. It should be noted that the amount qualified related to patient revenue and account receivables were \$89.5 million and \$27.9 million respectively.</p> <p>Due to the concern I have regarding the amount reported for patient related accounts receivable, I was unable to satisfy myself as to the accuracy of the \$70.4 million presented as accumulated deficit in the net worth section of the statement of financial position.</p>	<p>For 2017, the Health Services Authority was qualified for matters concerning patient services fees, patient related accounts receivable and accumulated deficit.</p> <p>I was unable to satisfy myself that the reported amount for patient service fees of \$138.7 million is fairly stated on the statement of comprehensive income. The Authority could not represent to me that the controls for the recording of patient service fees are effective to ensure that reported revenues are complete. Furthermore, I was unable to perform sufficient audit procedures due to the lack of internal controls.</p> <p>I was unable to satisfy myself that the net amount of accounts receivable of \$12.2 million as shown on the statement of financial position is fairly stated. As the amount is directly related to our concerns relating to the amount reported for revenues, I was also unable to perform sufficient audit procedures for this amount. My review of subsequent receipts from patients to satisfy myself of the provision for bad debts at 31 December 2017 was also impaired for the same reason.</p> <p>Due to concerns I have regarding the amount reported for patient related accounts receivable, I was unable to satisfy myself that the amount of \$208 million reported as the accumulated deficit in the net worth section of the statement of financial position was accurately reported.</p>

<b>ENTITY</b>	<b>2016 QUALIFICATION</b>	<b>2017 QUALIFICATION</b>
<b>MARITIME AUTHORITY</b>	The Authority was unable to resolve the post-retirement health care issues which resulted in the qualification for the 2015 financial statements. I qualified the 2016 financial statements on these same points.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered
<b>PUBLIC SERVICES PENSIONS BOARD</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>NATIONAL GALLERY</b>	For 2016 I qualified my opinion of the same matter that was noted for 2015 regarding the completeness of cash from funding raising activities and donations.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered
<b>NATIONAL ROADS AUTHORITY</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered
<b>AUDITOR OVERSIGHT AUTHORITY</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.
<b>CAYMAN AIRWAYS</b>	Unqualified audit opinion.	No matters were noted in 2017 thereby resulting in an unqualified opinion being rendered.



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

ENTITY	2016 EMPHASIS OF MATTER & OTHER MATTERS	2017 EMPHASIS OF MATTER & OTHER MATTERS
<b>PORTFOLIO OF THE CIVIL SERVICE</b>	Without qualifying my opinion, I brought to the attention of readers matters pertaining to prior period correction of previously unrecognized revenues. It was not determined in the course of resolving the matter when the accounting error originated, however the prior period presented in the financial statements was restated to reflect the correction.	No reported matters.
<b>MINISTRY OF FINANCIAL SERVICES &amp; HOME AFFAIRS</b>	Although I did not qualify my audit opinion, I brought to the attention of readers that the Ministry was authorized under section 11 (5) of the PMFL to make adjustments to its appropriations for exceptional circumstances. As at the date of my audit report being issued the Supplementary Appropriation Bill had not been passed into Law by the LA.	Although I did not qualify my audit opinion, I brought to the attention of readers that the Ministry was authorized under section 11 (5) of the PMFL to make adjustments to its appropriations for exceptional circumstances. As at the date of my audit report being issued the Supplementary Appropriation Bill had not been passed into Law by the LA
<b>MINISTRY OF FINANCE &amp; ECONOMIC DEVELOPMENT</b>	No reported matters	Although I did not qualify my audit opinion, I brought to the attention of readers that Cabinet approved a supplementary funding under the provisions of section 11(5) of the Public Management and Finance Law (2017 Revision) (the “PMFL”) in the amount of \$225,534 for the replacement of the Total Revenue Integrated Processing System (TRIPS) with an enhanced Customs Tariff Support System (CTSS 2.0). The Ministry is required under section 11 (6b) of the PMFL to include this transaction in the next Supplementary Appropriation Bill introduced in the Legislative Assembly to obtain approval for the supplementary funding. As of the date of my audit report, the Legislative Assembly’s approval had not yet been obtained for this funding.

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**COMPLAINTS  
COMMISSIONER**

No reported matters.

Without qualifying my opinion, I drew attention to notes 1 and 2 of the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the Ombudsman Law 2017, which resulted in the discontinuance of the ICO as a separate legal entity of the Cayman Islands Government

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**INFORMATION  
COMMISSIONER'S  
OFFICE**

No reported matters.

Without qualifying my opinion, I drew attention to notes 1 and 2 of the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the Ombudsman Law 2017, which resulted in the discontinuance of the ICO as a separate legal entity of the Cayman Islands Government.

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## SAGCs – EMPHASIS OF MATTER & OTHER MATTERS

ENTITY	2016 EMPHASIS OF MATTER & OTHER MATTERS	2017 EMPHASIS OF MATTER & OTHER MATTERS
<b>CAYMAN ISLANDS DEVELOPMENT BANK</b>	<p>As was the case in 2015, I brought to the reader’s attention in 2016 details regarding the new credit facility in the amount of \$30.6 million (US \$36.8 million) with a local financial institution to consolidate and repay existing credit facilities, which will mature on 30 June 2025 and has been guaranteed by the Cayman Islands Government.</p> <p>In 2016 the bank received \$1.5 million capital contribution from the Government and income of amounting to \$526k for providing services to the Cayman Island Government. These transactions illustrate the reliance of the CIDB on the Government for financial support.</p> <p>My 2016 audit report also noted that CIDB had impaired loans amounted to \$17 million which represents 52% of the overall loan portfolio excluding allowances for credit losses. This is a worsened position when compared to the prior year.</p>	<p>Without qualifying my opinion, I highlighted that during September 2017, a partial prepayment of US\$8 Million was made on the credit facility, leaving a balance of US\$28.8 Million. This prepayment was funded by capital contribution from the government in the amount of CI\$6.28 Million and the balance from the bank’s internal funds. During the 18 months ended December 31, 2017, the bank received \$9.78 Million in contributed capital from the Cayman Islands Government. I also noted that the bank received payments amounting to \$789k for providing services to the Cayman Islands Government as outlined in the purchase agreement.</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 2017 amounted to \$14.7 million which represents 51% of the overall loan portfolio excluding allowances for credit losses</p>
<b>CAYMAN ISLANDS NATIONAL MUSEUM</b>	<p>I brought to the reader’s attention in 2016 that the Museum is dependent upon the financial support of the Cayman Islands Government to enable it to meet its</p>	<p>IN 2017, I again brought to the reader’s attention that the Museum is dependent upon the financial support of the Cayman Islands Government to</p>

	obligations as they fall due. Without this ongoing support a material uncertainty exists that casts significant doubt about the Museum's ability to continue as a going concern.	enable it to meet its obligations as they fall due. Without this ongoing support a material uncertainty exists that casts significant doubt about the Museum's ability to continue as a going concern.
<b>CAYMAN NATIONAL CULTURAL FOUNDATION</b>	Without qualifying my opinion in 2016, I drew attention to note 10 of the financial statements which discloses that the Foundation is dependent upon the continued financial support of the Cayman Islands Government to enable it to meet its obligations as they fall due. Without this ongoing support, a material uncertainty exists that may cast significant doubt about the Foundation's ability to continue as a going concern.	In 2017, I again drew attention to note 10 of the financial statements which discloses that the Foundation is dependent upon the continued financial support of the Cayman Islands Government to enable it to meet its obligations as they fall due. Without this ongoing support, a material uncertainty exists that may cast significant doubt about the Foundation's ability to continue as a going concern.
<b>CHILDREN AND YOUTH SERVICES FOUNDATION</b>	No reported matters.	I drew attention to how the "Foundation" received a reallocation of funds under the provisions of section 11(5) and (11)6 of the Public Management and Finance Law (2017 Revision) (the "PMFL"). The Ministry of Human Resources, Immigration and Community Affairs is required under section 11 (6b) of the PMFL to include these transactions in the next Supplementary Appropriation Bill introduced in the Legislative Assembly to obtain approval for the supplementary funding. As of the date of my audit report, the Legislative Assembly's approval has not yet been obtained for these funds
<b>PUBLIC SERVICE PENSIONS BOARD</b>	In the 2016 audit report, I highlighted to readers the updated status regarding the 2014 Actuarial Valuation Report. The report was finalized by the Board and its actuaries in April 2015, was approved by Cabinet and was	I drew attention to notes 14 and 15 of the financial statements which describe that the January 1, 2017 tri-annual Actuarial Valuation Reports which were finalized by the Board and its actuaries and are

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**PUBLIC SERVICE  
PENSIONS BOARD  
(continued)**

tabled in the legislative Assembly in June 2016. The recommended rates of contribution contained in the 2014 funding actuarial valuations will become effective 1 July 2016 in accordance with the relevant regulations. As a result, contributions received and contributions receivable are based on the recommended contribution rates contained in the 2005 funding actuarial valuation which were the last approved contribution rates effective as at 30 June 2016.

I also highlighted in my 2016 audit report that as was the case in the prior year, the actuary determined that the continuation of the current scenario of the total plan contributions (including both Defined Benefit and Defined Contribution) for the Public Service Pensions Plan will be insufficient to meet benefit payments and expenses. The actuary further states that the Parliamentary Pensions Plan ("PPP") continues to be severely underfunded. Assets allocated to the PPP cover only 41% of the past service obligations and are insufficient to cover the benefits currently being paid to retired members.

I also noted that In addition to the monthly contributions and budgeted Past Service liability for the 2015-2016 fiscal year, the Government made an additional payment of C\$18 million to the pension fund.

awaiting approval by the Cabinet. 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.

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**MARITIME  
AUTHORITY**

The matter highlighted in 2015 regarding the contingent liability remains unresolved in 2016.

No reported matters

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**NATIONAL GALLERY**

In 2016, I highlighted that the Gallery did not comply with the Public Management and Finance Law (2013 Revision) as its financial statements were prepared in accordance with IFRS rather than IPSAS.

In 2017, I again highlighted that the Gallery did not comply with the Public Management and Finance Law (2017 Revision) as its financial statements were prepared in accordance with IFRS rather than IPSAS.

I also noted that the Gallery had incurred a net loss of \$261,859 and its current liabilities exceeded current assets by \$26,355. These conditions along with other matters such as the Gallery's heavy reliance on fund raising to cover its operating expenses indicates the existences of a material uncertainty that may cast doubt about the Gallery's ability to continue as a going concern.

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**PORT AUTHORITY**

In 2016 I drew attention to details that the Authority was unable to charge tender fees totaling \$623,434 for the manifested cruise passengers as required by Section 26 (e) of the Port Regulations (2011 Revision). This was due to an existing agreement with the Florida-Caribbean Cruise Association (FCCA) in 2003 which prohibits the Port Authority from unilaterally increasing fees.

I also highlighted that under the Port Authority Law, any balance of account in favor of the Authority up to the amount of CI\$100,000 may be carried forward to the account of the following year and any excess of that sum shall be paid in to the general revenue of the Cayman Islands Government. Management did not make a provision in the 2016 financial statements or remitted any excess funds to the Cayman Islands Government.

Management does not believe that this is a valid

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payable to Cayman Islands Government, the basis being the former Cash Accounting Framework which is inconsistent with the Public Management & Finance Law (2013 revision).

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**CAYMAN AIRWAYS LIMITED**

In 2016, I highlighted that Cayman Airways is dependent upon the financial support of the Government of the Cayman Islands, including purchase commitments, to enable it to continue as a going concern and to meet its obligations as they fall due. My opinion was not qualified in respect of this matter.

In 2017, I again highlighted that Cayman Airways is dependent upon the financial support of the Government of the Cayman Islands, including purchase commitments, to enable it to continue as a going concern and to meet its obligations as they fall due. My opinion was not qualified in respect of this matter

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**ELECTRICITY REGULATORY AUTHORITY**

Without qualifying my audit opinion, I drew attention to disclosures in the financial statements which describe future plans that may significantly affect the operations of the Authority. The Government of the Cayman Islands, which owns the Authority, is proceeding with steps to establish a Utility Regulation and Competition Office ("the Office") which will consolidate the regulatory bodies for electricity, telecommunications, water and petroleum sectors.

Without qualifying my audit opinion, I drew attention to note 1 and 2 of the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the Utility Regulation and Competition Law (2016), which resulted in the discontinuance of the Entity as a separate legal entity of the Cayman Islands Government.

As at the date of the 2016 audit report, no definitive date had been determined as to when the Office will commence operation, subsequently the Office commenced operations in January 2017.

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**HEALTH SERVICES AUTHORITY**

As was noted in 2015, the Authority is required to maintain a cash reserve at a level no less than its estimated expenses for 90 days. I have highlighted in my audit report that as at 30 June 2016, the Authority's cash

I drew attention to note 23 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net deficit of \$34.7 million and a new loss for the year of

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reserve was over \$21.5 million short in meeting this requirement. I did not qualify my opinion with regards to this matter.

\$8.9 million. This raised a substantial doubt about the Authority's ability to continue as a going concern. My opinion is not modified in respect of this matter.

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## ICTA

Without qualifying my audit opinion, I drew attention to disclosures in the financial statements which describe future plans that may significantly affect the operations of the Authority. The Government of the Cayman Islands, which owns the Authority, is proceeding with steps to establish a Utility Regulation and Competition Office ("the Office") which will consolidate the regulatory bodies for electricity, telecommunications, water and petroleum sectors.

I drew attention to note 1 and 2 of the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the Utility Regulation and Competition Law (2016), which resulted in the discontinuance of the Authority as a separate legal entity of the Cayman Islands Government. My opinion is not modified in respect of this matter.

As at the date of the 2016 audit report, no definitive date had been determined as to when the Office will commence operation, subsequently the Office commenced operations in January 2017.

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## NATIONAL ROADS AUTHORITY

Without qualifying my audit opinion, I draw attention to note 13 of the financial statements which describes the restatement of the post-retirement health liability. The financial statements for the year ended 30 June 2014 and 30 June 2015 were restated due to the significance of the adjustments required to account for the actuarially determined defined benefit liability for the National Roads Authority post-retirement health liability provided to eligible staff. These adjustments have significantly impacted the financial position of the Authority which

Without qualifying my opinion, I draw to your attention Note 14 of the financial discloses that the employment of the Managing Director of the Authority was terminated with effect from 31st October 2018, as a result of misuse of the Authority's resources.



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resulted in an overall negative equity position as at year end. My opinion was not qualified in respect of this matter.

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**SEGREGATED  
INSURANCE FUND**

In 2016 the matter related to CINICO was adequately addressed and as such was not repeated in my audit report. I however highlighted again that the Segregated Insurance Fund is not required to present budget information in the financial statements as required under IPSAS 24 "Presentation of Budget information in Financial Statements" for entities preparing its Financial Statements under IPSAS. This information is not presented as the Segregated Insurance Fund as a separate entity does not produce an annual budget statement for which it is held publicly accountable.

I note that the Segregated Insurance Fund is not required to present budget information in the financial statements as required under IPSAS 24 "Presentation of Budget information in Financial Statements" for entities preparing its Financial Statements under IPSAS. This information is not presented as the Segregated Insurance Fund as a separate entity does not produce an annual budget statement for which it is held publicly accountable.

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**CAYMAN TURTLE  
FARM (1983) LIMITED**

As was noted in 2015, The Cayman Turtle Farm remained dependent upon the continued financial support of the Government of the Cayman Islands to enable it to meet its obligations as they fall due. Without this ongoing support a material uncertainty exists that casts significant doubt about the Company's ability to continue as a going concern.

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**AUDITOR OVERSIGHT  
AUTHORITY**

No reported matters.

Without modifying my audit opinion, I drew attention to note 16 of the financial statements which describes the Authority's non-compliance with The Public Authorities Law 2017 subsections 39 (2) and (3) – investing and reserves.

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## **Contact us**

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