

FINANCIAL REPORTING OF THE CAYMAN ISLANDS
GOVERNMENT





**To help the public
service spend wisely**

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EXECUTIVE SUMMARY

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 the Government and individual public sector entities accountable for their use of public money.

The 2018 entity financial audits for the most part are complete and I am delighted that to date no entities have received a qualified opinion which is an improvement on past years. It is worth noting though that the consolidated Entire Public Sector (EPS) account which includes the consolidation of the 40 public sector entities along with the “Executive” expenditure and coercive revenues of the Government has not yet been audited for 2018. For the 2016-17 financial period, the EPS account of Government received an adverse opinion due to numerous issues.

In this report, I describe the state of financial management and reporting in the Cayman Islands public service over recent years and make 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 2018 audits including the audit opinions I have issued and details of the nature of the qualification points I have given for the prior period 2016-17 (Appendices A, B and G).

Entities are now routinely preparing annual reports to accompany their financial statements and I recommend that MLAs and the public 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 SAGCs provide a mixed picture. The Port Authority and the Water Authority both recorded surpluses in 2018 for the first time since 2014-15, but some 13 SAGCs recorded a deficit in 2018 with UCCI, the National Drug Council and the National Gallery going from a surplus in 2016-17 to deficit position in 2018. Appendix E gives this detail and demonstrates that a good proportion of SAGCs show signs of being under financial strain and CINICO, the Turtle Centre, Cayman National Cultural Foundation and both the Sister Islands Affordable Housing Development Corporation and National Housing Development Trust have all consistently recorded year on year deficits. 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

1. I am pleased to present this report to the Legislative Assembly that summarises the outcomes and status of my Office's financial audits of 40 public sector entities that consisted of 14 Ministries, Offices and Portfolios and 26 Statutory Authorities and Government Companies (SAGCs) for the year ended 31 December 2018. 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 40 entity financial audits are undertaken by my staff and 16 entity audits are contracted out to private sector firms (namely Eisner Amper, Grant Thornton, KPMG & PwC) and subject to a final OAG quality review and my sign off.
3. In previous reports, significant emphasis was placed on providing readers with data and analysis on the financial performance of entities during the respective periods as few entities prepared annual reports to accompany their financial statements. This situation has improved significantly with all entities producing annual reports in 2018 and as a consequence I have only included limited discussion and analysis in this report but would encourage readers to reference the entity annual reports themselves for greater detail.
4. This report does not include any information on the Entire Public Sector (EPS) account for 2018 as that audit is still outstanding. The EPS comprises the consolidation of all 40 public sector entities along with the additional expenditure and income of Government that is considered "Executive" in nature. In 2016-17 Government's EPS account was given an adverse opinion.
5. 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 Eisner Amper, Grant Thornton, KPMG and PwC for their commitment and efforts in supporting this improvement.

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

OVERVIEW

6. The outcomes from our audits for the year ended 31 December 2018 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).
7. As at the date of this report, the audits of the 2018 financial statements for all but four entities have been completed. The audits outstanding are: Cayman Islands Airport Authority, Cayman Turtle Centre, Cayman Airways Limited and the Ministry of Health, Environment, Culture & Housing. The Cayman Islands Airport Authority and the Ministry of Health, Environment, Culture & Housing both still have their 2016-17 audits outstanding as well but other than that, the audit backlog has been cleared during 2019.
8. For the year ended 31 December 2018, I have issued unqualified opinions for all 36 audits completed so far, which is an improvement compared to the 2016-17 audits for which I issued four qualified opinions.
9. Further information on the 2018 audits are provided in Appendix A. They include information about the audit opinions issued, the date they were signed and the date they were tabled in the Legislative Assembly. The same information for 2016-17 is contained in Appendix B.
10. Exhibit 1 on the following page shows the trend in the audit opinions that my Office has issued for the last ten years. Exhibits 2 and 3 show the improvements in audit opinions issued between the years ended 30 June 2009 compared to year ended 31 December 2018.

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

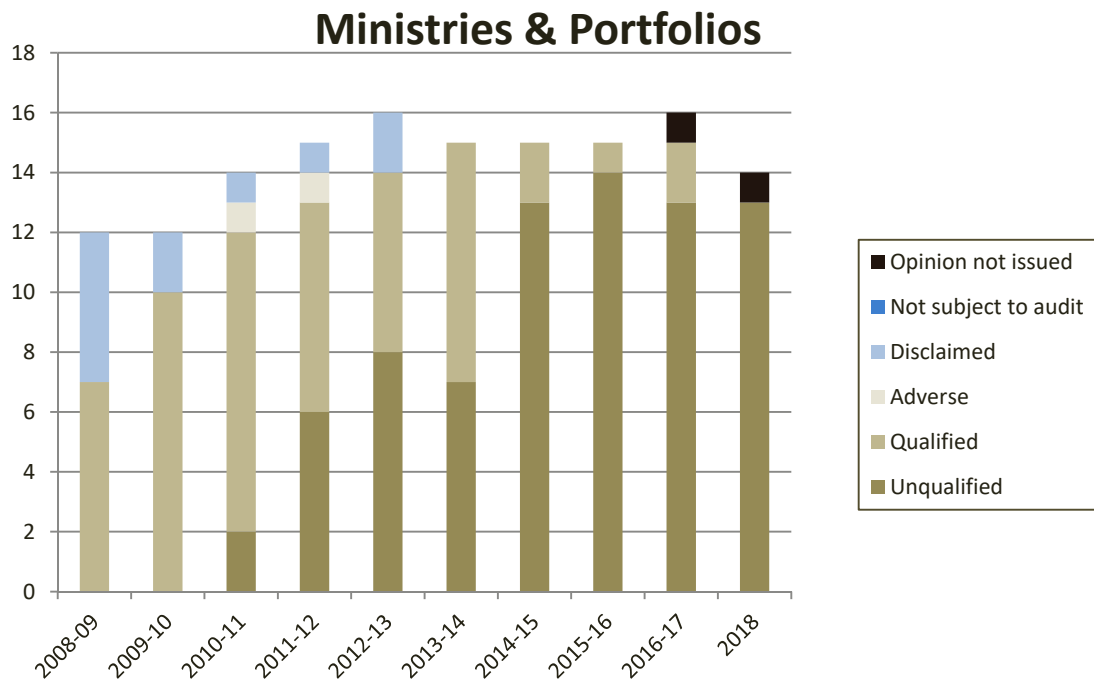
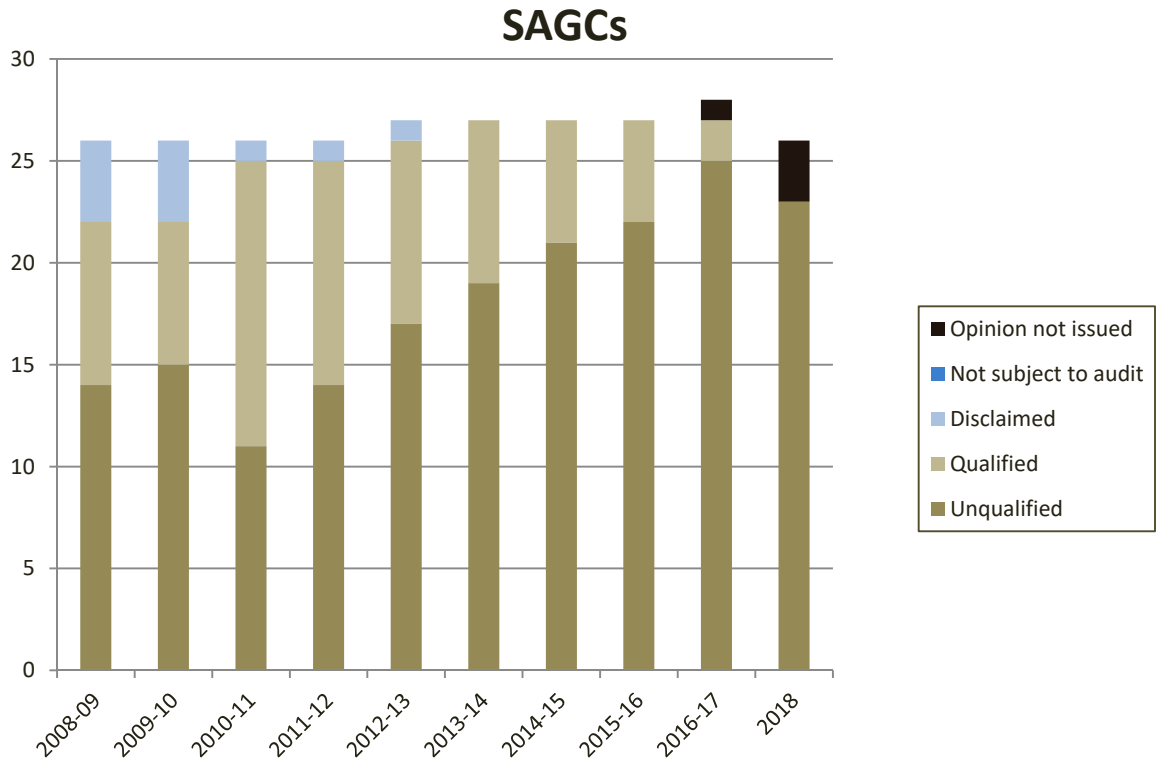
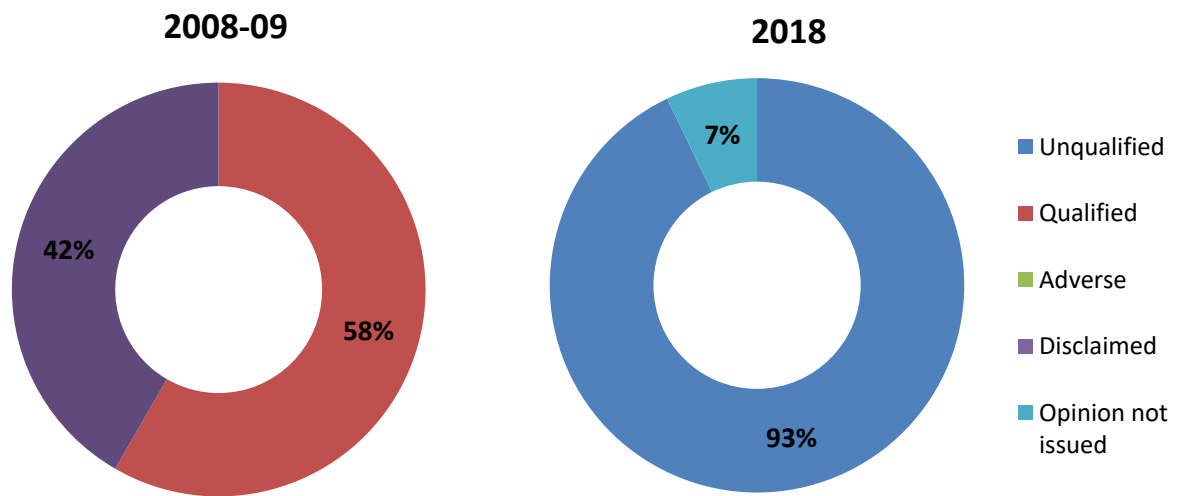
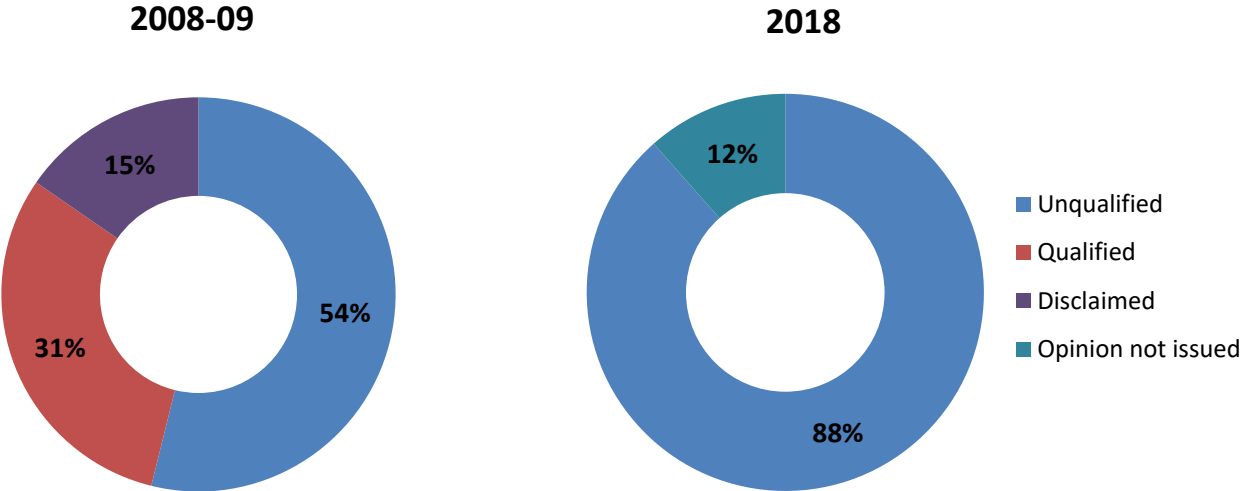


Exhibit 2: Comparison of Core Government audit opinions 2008-09 and 2018



11. For the ten years from 2008-09 to 2018 there was a significant improvement in the types of audit opinion that were issued for Ministries, Portfolios and Offices within the core government, with all entities audited to date receiving an unqualified opinion compared to none being unqualified ten years ago. This improvement is evidence of the leadership of the Deputy Governor and the considerable efforts made by the Chief Officers, Chief Financial Officers and their teams to restore financial accountability in the use of public resources
12. A disclaimer of opinion, which 42% of entities received in 2008-09, should be considered as a fundamental failure by the entity's management and undermines public accountability, transparency and trust. Apart from clearly demonstrating that an entity cannot effectively account for how it used resources, a disclaimer of opinion usually also reports failures of governance and internal control.

Exhibit 3: Comparison of SAGCs opinions 2008-09 and 2018



- 13. 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 2008-09 to 2018. However by comparison, the opinions given on the audits of SAGCs for 2008-09 although not ideal, were better than core government, with just over half of all SAGCs receiving an unqualified opinion.
- 14. As at the date of this report, all 2018 audits completed for SAGCs have received an unqualified opinion.
- 15. Further details of the entities and related opinions for the periods 2018 and 2016-17 are provided at Appendices A and B of this report.

QUALITY OF THE FINANCIAL STATEMENTS

16. The quality of financial information presented has shown steady improvements over the years, and this improvement is explicitly demonstrated in 2018 by all audit opinions given to date being unqualified.
17. In my 2016-17 general report I commented on the significant improvements being made in financial reporting, and noted that only four entities received qualified opinions. It is pleasing that all have resolved the respective issues resulting in their current unqualified opinions.
18. Exhibit 4 below provides a summary of the matters which resulted in the prior year qualified opinions

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						

PROGRESS IN DEALING WITH 2016-17 QUALIFICATION POINTS

19. In 2018 The Health Services Authority (HSA) management was able to put robust internal controls in place for the recording of patient service fees which my Office was able to test and deemed to be functioning effectively. The implementation of these controls resulted in the entity's ability to represent to me that the controls for reported revenue, and consequentially account receivables and accumulated deficit; were complete and accurate as at the 31 December 2018, thereby removing the prior year qualification points.

20. The contingent liability that formed the basis of the qualification on the Cayman National Cultural Foundation (CNCF) financial statements in the prior year 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).
21. Previously the CNCF could not confirm if there was, or would 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.
22. However based on subsequent information provided during the 2018 audit, it was determined that it was reasonable to conclude that no obligation would exist for CNCF in the future, thereby removing the qualification point as at 31 December 2018.
23. I had 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.
24. Both entities had material termination benefits for key management personnel included in their expenses for the 2016-17 fiscal period but opted to not disclose these amounts separately in the notes to the financial statements as required by the IPSAS. Additionally in 2016-17 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. The person receiving the benefit does not need to be named but material payments must be disclosed.
25. As these non-compliance matters did not reoccur in 2018 the qualification points were not repeated.

KEY AUDIT CONCERNS

26. In appendix G of this report I have also detailed the "matters of emphasis" or "other matters" that I included in the audit reports of entities, which highlighted matters I believed needed to be brought to the attention of the users of the financial statements. The three most significant issues 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 continued 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.

- The impact of the government using the 2014 pension contribution rates rather than the more current 2017 rates which were provided by the Actuary.

TIMELINESS OF THE FINANCIAL STATEMENTS & ANNUAL REPORTS

27. In addition to having financial information which is consistently improving qualitatively, it is important that financial information is accessible to key stakeholders and the general public in a timely manner, before it has lost its capacity to be useful for accountability and decision making.
28. 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 Public Management and Finance Law (PMFL) the statutory requirement for entities is to submit their annual report which contains the respective financial statements to my Office within two months after the year-end, and two months for my Office to conduct an audit of the financial statements.
29. Entities are also required under the PMFL to present the annual report containing the financial statements and audit opinion to the Legislative Assembly via the Cabinet within five months after the end of the year.
30. For the 2018 reporting period I received financial statement submissions from all bar one of the 40 entities by the 28 February 2019 statutory deadline. Twenty four entities also submitted draft annual reports by that date which is an improvement on the period before.
31. My Office and the contracted firms working on my behalf, completed audit for 24 of the 40 entities by the statutory deadline of 30 April 2019. 2018 was the first year of a new five year audit contracts with the four firms who undertake the 16 entity audits on my behalf. While Eisner Amper and PwC completed their audit work by the statutory deadline, it was disappointing that both Grant Thornton and KPMG failed to achieve the statutory deadline for a number of clients meaning that only 6 out of 15 audits undertaken by the firms achieved the deadline. The Cayman Turtle Centre 2018 audit was not commenced as the 2017 audit was still ongoing.
32. By contrast, my Office completed 18 out of 22 in-house audit jobs by 30 April 2019, The Ministry of Health and the Cayman Islands Airport Authority 2018 audits were not commenced as their 2017 audits were still ongoing. The number of 2018 audits completed by the statutory deadline of 30 April is compared to 27 for 2016-17 and 28 for 2015-16.
33. The 2018 audit cycle was also impacted by changes in accounting standards in accounting for financial instruments and revenue from contracts with customers, introduced for the first time by

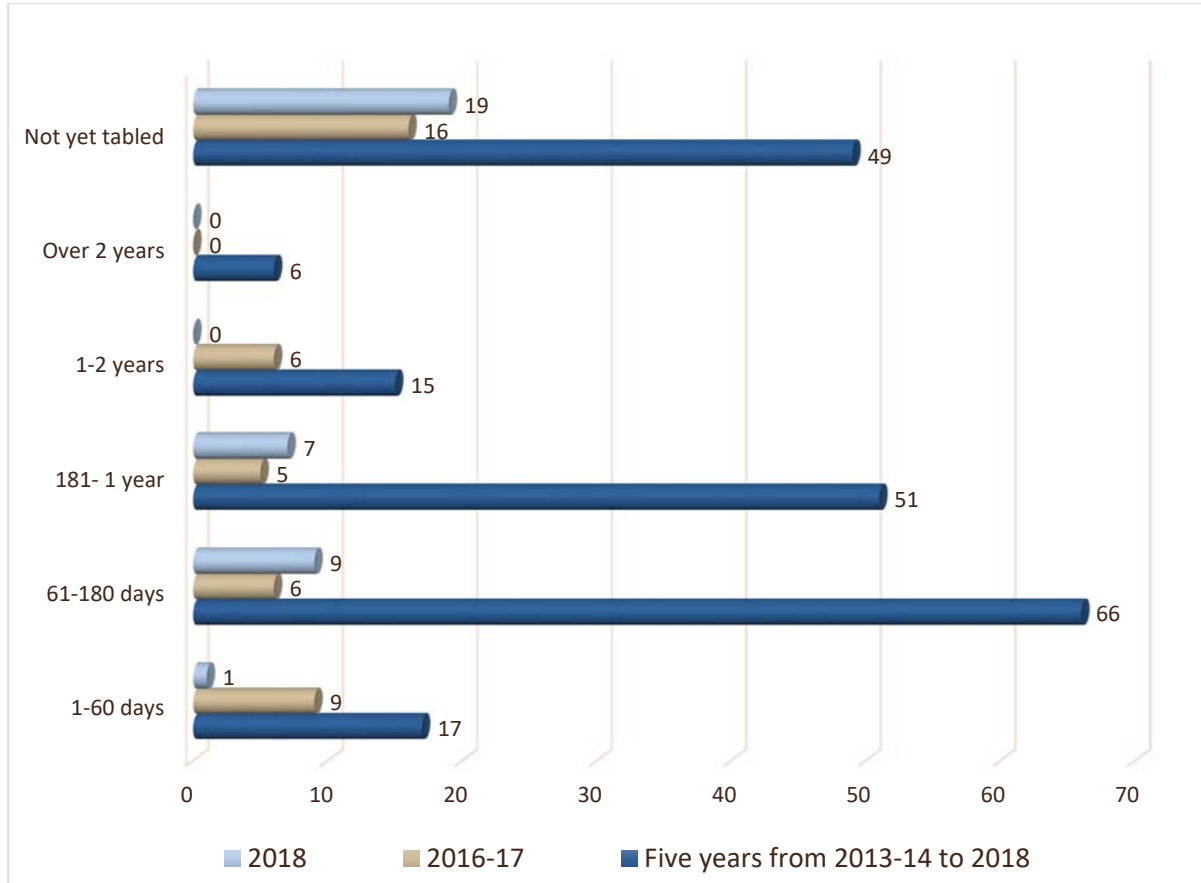
IFRS 9 and 15. These two changes in accounting standards created many difficulties for SAGCs using IFRS rather than IPSAS and resulted in some of the delays. Greater detail on the impact of these changes is given later in this report.

34. A further 5 audits were completed between 1 May 2019 to 30 June 2019, resulting in 29 of the 40 audits (73%) being completed within six months after the reporting date of 31 December 2018 which international accounting standards recommend.
35. Although the timeliness of annual reports and financial statements submission and the completion of audits is now reasonably good, 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

36. In my 2016-17 general report I highlighted the importance of annual reports being prepared by entities and more importantly tabled in the Legislative Assembly in timely manner to ensure proper accountability.
37. The tabling of the annual reports in the Legislative Assembly continues to be an area of keen focus and concern for my Office, as without an annual report, it is almost impossible for stakeholders, legislators and citizens, to fully understand how public resources have been used and to hold Government and public bodies accountable. As noted earlier in this report, the number of entities preparing annual reports has increased considerable, however the timeliness of these reports reaching the LA is still a matter of concern.
38. Exhibit 5 shows the trend in the timeliness of annual reports being tabled in the Legislative Assembly for 2018, the prior period 2016-17 and the total of all annual reports for the periods from 2013-14 to 2018 inclusive.
39. The chart shows the number of days between the date the audit report was signed off for the respective financial statement and annual report and the date the annual report was tabled in the Legislative Assembly.

Exhibit 5: Tabling of Annual Report Trend



40. For 2018 of the 36 audits that have been completed as at the date of this report 17 annual reports (47%) have been tabled in the Legislative Assembly, with only one of these being tabled within two months after the date that the audit was completed and the remaining 16 being tabled between 61 days or more after the date of the audit being completed.
41. By comparison, of the 42 audits completed for 2016-17, 26 annual reports (62%) have been tabled, with nine being tabled within two months of the date of audit completion, and the remaining 17 took between 61 days to two years to be tabled.
42. In total, for the period 2013-14 to 2018, there were 204 audits completed (six audits not completed), and of this amount 155 (74%) of annual reports (or only financial statements) have been tabled. The majority of annual reports not yet tabled relate to more recent years – 2018 (19 audited but not tabled), 2016-17 (16 audited but not tabled) with the residual 14 related to the 2015-16 (five audited but not tabled), 2014-15 (five audited but not tabled) and 2013-14 (four audited but not tabled).

43. Although there is some positivity in the increased number of reports tabled, there is still concern regarding the significant time it took for these reports to reach the Legislative Assembly, as 72 reports took over six months from audit completion to be tabled.
44. There are 49 audited reports that have not been tabled as of this report, of which 41 are beyond six months of their audit completion dates.
45. Such delays in the tabling of annual reports significantly impairs the attainment of full accountability as key stakeholders and the wider public are not receiving information of entities operations in a timely manner resulting in the reports having reduced relevance in decision making.

KEY AUDIT MATTERS

INTRODUCTION

46. 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 audit opinion.
47. 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.
48. 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.
49. For Core Government, in addition to providing the respective Chief Officers with a report on significant and relevant matters of internal control deficiencies and matters of non-compliance observed, my Office also presents and discuss these reports with the Government's Audit and Risk Assurance Committee which was established in September 2019.
50. The Audit & Risk Assurance Committee (ARAC) was established by the Deputy Governor to provide him with independent and objective advice on the comprehensiveness, reliability and integrity of assurances on governance, risk management and control for the Cayman Islands Core Government.
51. In the following sections I have briefly discussed some of the general matters that were considered during the 2018 audits as they had implications for a majority of entities. I have also provide extracts of the key matters which were brought to the attention of those charged with governance for SAGCs and entities of Core Government.

THE PUBLIC AUTHORITIES LAW

52. In March 2017 The Public Authorities Law was passed and it commenced on the 1 June 2017 with the exception of section 47 which covered salary scales and job evaluation. Section 47 was slated to commence on the 1 June 2018, but was later deferred to June 2019.
53. One of the factors which lead to the drafting of the Public Authorities Law was audit findings reported over years which noted that:

- The existing accountability Framework was not working as well as it should, resulting in limited accountability;
 - There was little assurance that SAGCs were operating effectively and achieving the results expected by Government;
 - The results expected to be delivered by SAGCs were not clearly stated in the ownership agreement;
 - Ownership Agreements were more focused on activities to be delivered rather than the results to be achieved; and
 - There was no sound basis to report on value for money achieved.
54. In response to these and other factors, Cabinet sought to have the legislation drafted with the following objectives:
- Provide more control to Cabinet on how each public authority is operated;
 - Improve the governance of public authorities by having a consistent overarching financial management framework;
 - Provide a sound consistent approach to human resource practice; and
 - Allow Cabinet to apply strategic policy initiatives to public authorities when it is the best interest of the public
55. In conducting the 2018 audits, a number of key sections of the Public Authorities Law directly impacted the level of legislative compliance of some SAGCs and these were flagged as matters of non-compliance in the respective reports to those charged with governance or required a waiver from the Ministry of Finance in order to mitigate the non-compliance.
56. The most significant of these matters related to Personnel Management Requirements and Public Authority Financial Management requirements described in the next two sections of this report.

PERSONNEL MANAGEMENT REQUIREMENTS

57. The Public Authorities Law provides directives on how SAGCs are expected to carry out recruitment processes to ensure that a fair and open process exist. The law requires SAGCs to make all personnel management decisions without patronage, favoritism or consideration of political factors, and to operate an open and fair appointment process for all staff.
58. The law also requires SAGCs to notify vacant positions in such manner as to enable suitably qualified persons to apply for the position and may, if necessary, publicly advertise in local or international media or both, a vacant position in such manner as would enable suitably qualified persons to apply for the vacant position.
59. In conducting the 2018 audits my Office noted some instances, though not pervasive, where entities did not fully comply with this requirement of the law and did not have an open process

or advertise for a particular post in the manner prescribed by the law due to various circumstances. We did not find any departures from the law that adversely impacted the audit opinion, but these matters were included in the respective entities reports to those charged with governance, and in the case of one SAGC a comprehensive investigation of these departures was conducted by my Office at the request of the board of directors.

PUBLIC AUTHORITY FINANCIAL MANAGEMENT REQUIREMENTS

60. The Public Authorities Law also provides some directives regarding how SAGCs are to manage cash and operating reserves. It requires SAGCs that have surplus cash reserves for a period of more than ninety days to pay their surplus to core government unless otherwise directed by Cabinet, after consultation with the board in writing.
61. The law also requires SAGCs to pay dividends to core government in accordance with the formulae established by the Minister of Finance after consultation with the board in writing, unless otherwise directed by Cabinet.
62. For the 2018 audits my Office consulted with the Ministry of Finance to gain clarity on the manner in which the surplus cash reserves were to be computed, and the Ministry's expectations for cash payments for the year. From our initial assessments, cash was not being paid over as entities with surpluses had earmarked funds for further strategic objectives, and there was no explicit approval from Cabinet that outlined the basis under which surplus cash could be retained.
63. My Office also sought clarity on the formulae to be used for computing dividend payments, as although some SAGCs already had a mechanism to compute contribution payments to core government embedded in their respective establishing legislation, the majority of SAGCs did not have a basis for determining the amount of dividend as a formulae had not been issued by the Ministry of Finance as at 31 December 2018.
64. Following these queries, the Cabinet, after consulting with boards and management of SAGCs, provided an exemption from paying over surplus cash reserves for 2018 and also noted that there was no formulae for dividend in place for 2018, and so no dividend was due.
65. A dividend policy was produced by The Ministry of Finance and Economic Development, and approved by Cabinet on the 8 January 2019. The policy is effective from 1 January 2019.

CHANGE IN REPORTING STANDARDS

66. For the 2018 fiscal year there were two financial reporting standards which came into effect and had significant and material implication for a number of SAGCs. Due to the technical nature of these standards, proper implementation required SAGCs to contract with firms who provided

advisory services and assisted with the development of required reporting data and note disclosures.

67. My Office worked closely with and assessed the work produced by these firms and was satisfied that the financial data and disclosures produced were fairly stated.
68. IFRS 9 – Financial Instruments was adopted by the SAGCs who reported under the framework during the year ended 31 December 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, and it replaces the guidance in IAS 39 – Recognition and Measurement that relates to the classification and measurement of financial instruments.
69. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial asset amortised cost, fair value through other comprehensive income and fair value through profit or loss.
70. IFRS 15 – Revenue from contracts with customers was adopted by SAGCs who reported under the framework during the year ended 31 December 2018. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
71. Revenue is recognised when a customer obtains control of a good or services and thus has the abilities to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 – Revenue and IAS 11 – Construction contracts, and related interpretations.

REPORTING SERVICE PERFORMANCE

72. In previous general reports produced by my Office, we had highlighted the deficiencies in the quality of financial data, the absence of annual reports containing comprehensive management discussion and analysis, as well as issues which were in some instances pervasive across entities e.g. overtime abuses, lack of controls over travel expenditures, weak related party disclosures, the use of supplementary appropriations and an absence of controls to address the risk of fraud.
73. Over the years I have noticed a marked improvement in most of these matters, the most notable being the quality of financial data which is evidenced in the 100% unqualified opinions to date as discussed earlier in this report. There has also been commendable enhancement in the content of annual reports, which once tabled in a timely manner would provide valuable information for decision makers.
74. I have also observed a reduction in the various control deficiencies that existed, and though there are still a number of entities with some key areas of control weakness, there has been a decrease overall in the number of matters my Office has identified that we deemed needed to be brought

to the attention of those changed with governance. This coupled with a control environment that continues to mature has seen most issues being mitigated or measures being put in place to address them in the future.

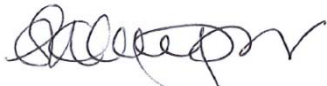
75. As Government reporting continues to improve, one area where greater focus must be placed is the quantum and quality of service performance information. At present, due to the suspended requirement of output reporting from the PMFL there is no robust assessment of service performance and whether, on a global basis, resources have been used in the most effective and efficient way, or if expected outcomes have been achieved.
76. The International Public Sector Accounting Standards (IPSAS), which is the financial reporting framework used by all of core government and some SAGCs, provides guidance on how entities should report on its service performance. *An entity should present service performance information that is useful to users for accountability and decision making purposes. Presentation should enable users to assess the extent, efficiency and effectiveness of the entity's service performance. It should be appropriate to the entity's service performance objectives and make the relationship between the entity's service performance objectives and its service performance achievements clear.*
77. *When used in combination with the information in an entity's financial statements, service performance information should enable users to assess the entity's finances in the context of its achievement of service performance objectives and vice versa.* This latter point is very relevant in assessing the performance of entities in core government, particularly those who have reported large surpluses, as a large surplus alone is not indicative of performance objectives being achieved in the most efficient manner.
78. As entities continue to improve the quality of reporting, and enhancing accountability, emphasis should be placed on providing detailed narrative discussion and analysis on its service performance information including but not limited to:
- Aspects of service performance that the entity considers should be highlighted;
 - Factors that affected service performance achievements during the reporting period.
 - the degree to which service performance objectives have been met;
 - balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance; and
 - An assessments of the efficiency and effectiveness of the entity's service performance.

CONCLUSION

79. This report provides a summary of our audits of Ministries, Portfolios, Offices, Statutory Authorities and Government Companies of the Cayman Islands Government for 2018.
80. The quality of the Government's financial reporting has improved significantly over recent years culminating in no entity being given a qualified audit opinion so far for their 2018 financial statements.
81. There has also been a marked increase in the number of entities preparing and tabling annual reports rather than only financial statements; thereby meeting a key requirement of the *Public Management and Finance Law* and enhancing the level of financial accountability to key stakeholders.
82. 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. That said, the audit of the consolidated EPS statement remains outstanding for 2018 and the most recent audit opinion for 2016-17 was adverse.
83. 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*.
84. 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.
85. 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 supporting schedules 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.

86. 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.



Sue Winspear CPA
Auditor General
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Cayman Islands

11th February 2020

APPENDIX A - STATUS OF THE 2018 AUDITS

Ministries/Portfolios/Offices	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	23-Apr-19	Unqualified with Emphasis of Matter	26-Jul-19
Director of Public Prosecution	30-Apr-19	Unqualified	14-Nov-19
Judicial Administration	30-Apr-19	Unqualified	
Ministry of Community Affairs	15-Apr-19	Unqualified	24-Jul-19
Ministry of District Admin, Tourism & Transport	25-Apr-19	Unqualified	13-Nov-19
Ministry of Education, Youth, Sports, Agriculture and Lands	18-Dec-19	Unqualified	
Ministry of Finance and Economic Development	15-Mar-19	Unqualified	12-Apr-19
Ministry of Human Resources and Immigration	30-Apr-19	Unqualified	30-Jan-2020
Ministry of Financial Services and Home Affairs	17-Apr-19	Unqualified with Emphasis of Matter	13-Nov-19
Ministry of Health, Environment, Culture and Housing	In progress		
Ministry of Commerce, Planning and Infrastructure	29-Apr-19	Unqualified	
Office of the Ombudsman	30-Apr-19	Unqualified	13-Nov-19
Portfolio of the Civil Service	30-Apr-19	Unqualified	
Portfolio of Legal Affairs	30-Apr-19	Unqualified	14-Nov-19

SAGCs	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditors Oversight Authority	11-Mar-19	Unqualified	24-Jul-19
Cayman Airways Limited	In progress		
Cayman Islands Airports Authority	In progress		
Cayman Islands Development Bank	2-Aug-19	Unqualified with Emphasis of Matter	5-Dec-19
Cayman Islands Monetary Authority	30-Apr-19	Unqualified	24-Jul-19
Cayman Islands National Insurance Company	30-Sept-19	Unqualified	5-Dec-19
Cayman Islands National Museum	30-Apr-19	Unqualified with Emphasis of Matter	5-Dec-19
Cayman Islands Stock Exchange	30-Apr-19	Unqualified	24-Jul-19

SAGCs	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cayman National Cultural Foundation	29-Apr-19	Unqualified with Emphasis of Matter	
Cayman Turtle Conservation and Education Center Limited	In progress		
Children & Youth Services Foundation	20-Jun-19	Unqualified	
Civil Aviation Authority	17-May-19	Unqualified with Emphasis of Matter	
Health Services Authority	30-Apr-19	Unqualified with Emphasis of Matter	
Maritime Authority of the Cayman Islands	23-Aug-19	Unqualified	
National Drug Council	3-May-19	Unqualified with Emphasis of Matter and Other Matter	
National Gallery of the Cayman Islands	30-Apr-19	Unqualified with Emphasis of Matter and Other Matter	
National Housing and Development Trust	2-Aug-19	Unqualified	
National Roads Authority	29-Apr-19	Unqualified with Emphasis of Matter	
Port Authority of the Cayman Islands	20-Sept-19	Unqualified	
Public Service Pensions Board	17-Apr-19	Unqualified with Emphasis of Matter	24-Jul-19
Sister Islands Affordable Housing Development Corporation	27-May-19	Unqualified	13-Nov-19
Segregated Insurance Fund	21-Mar-19	Unqualified	
Tourism Attractions Board	18-Apr-19	Unqualified	
University College of the Cayman Islands	27-Jun-19	Unqualified	30-Jan-2020
Utilities Regulation and Competition Office	30-Apr-19	Unqualified	
Water Authority of the Cayman Islands	27-Nov-19	Unqualified	

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	26-Jul-19
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	12-Apr-19
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	18-Dec-19	Unqualified	
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	12-Apr-19
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	12-Apr-19
Office of the Ombudsman (from 13 September 2017)	01-May-18	Unqualified	12-Apr-19
Portfolio of the Civil Service	30-Apr-18	Unqualified	26-Jul-19
Portfolio of Legal Affairs	02-May-18	Unqualified	24-Jul-19

SAGCs	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditors Oversight Authority	20-Apr-18	Unqualified with Emphasis of Matter	27-Jun-18
Cayman Airways Limited	25-May-18	Unqualified with Emphasis of Matter	24-Jul-19
Cayman Islands Airports Authority	In progress		
Cayman Islands Development Bank	17-May-18	Unqualified with Emphasis of Matter	12-Apr-19
Cayman Islands Monetary Authority	30-Apr-18	Unqualified	28-Jun-18
Cayman Islands National Insurance Company	25-Apr-19	Unqualified	26-Jul-19
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	31-May-18	Qualified with Emphasis of Matter	
Cayman Turtle Conservation and Education Centre Ltd	18-Dec-19	Unqualified with Emphasis of Matter	
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	24-Jul-19
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	

SAGCs	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
National Housing and Development Trust	30-Apr-18	Unqualified with Other Matter	
National Roads Authority	2-Nov-18	Unqualified with Emphasis of Matter	
Port Authority of the Cayman Islands	19-Sept-19	Unqualified	
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-Nov-18	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	24-Jul-19

APPENDIX C - FINANCIAL PERFORMANCE OF STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES (SAGC'S)

87. This section of the report provides a general financial assessment of all SAGCs for which an audit was conducted and budgeted or unaudited numbers used for those entities whose audits are still in progress for the 2018 fiscal year and 2016-17 18-month fiscal period.

REVENUE FROM GOVERNMENT

88. 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. For the year 2018 SAGCs generated revenues totaling \$110 million for providing services (outputs) to Government and \$365 million of revenues from other sources. The table below provides the amount of revenue by source for each SAGCs.

Exhibit 6: SAGCs Revenues by Type for the year ended 31 December 2018

Entity	Revenues from Govt (Outputs)	Revenue from Other Sources	Total Revenue
Auditor Oversight Authority	315,000	27,631	342,631
Cayman Airways Limited ¹	19,514,760	51,209,513	70,724,273
Cayman Islands Airport Authority ²	0	38,074,229	38,074,229
Cayman Islands Development Bank	1,026,317	1,491,767	2,518,084
Cayman Islands Monetary Authority	16,333,000	18,946,999	35,279,999
Cayman Islands National Museum	821,000	196,143	1,017,143
Cayman National Cultural Foundation	660,000	215,049	875,049
Cayman Islands Stock Exchange	0	2,765,557	2,765,557
Cayman Turtle Conservation and Education Center Limited.	0	8,053,000	8,053,000
Children & Youth Services Foundation	2,683,000	100,167	2,783,167
CINICO	0	79,988,906	79,988,906

¹ Unaudited numbers taken from the draft financial statements

² Unaudited numbers taken from the draft financial statements

Civil Aviation Authority	0	7,772,861	7,772,861
Health Services Authority	53,350,966	66,424,771	119,775,737
Maritime Authority of the Cayman Islands	413,578	9,537,408	9,950,986
National Drug Council	644,781	16,786	661,567
National Gallery of the Cayman Islands	0	1,096,275	1,096,275
National Housing Development Trust	581,000	1,649,000	2,230,000
National Roads Authority	5,285,730	10,502,104	15,787,834
Port Authority of the Cayman Islands	0	24,554,924	24,554,924
Public Services Pension Board	0	173,000	173,000
Sister Islands Affordable Housing Development Corporation	75,000	362,000	437,000
Tourism Attractions Board	2,000,000	1,340,857	3,340,857
University College of the Cayman Islands	4,315,529	3,332,574	7,648,103
Utilities Regulation and Competition Office	1,625,309	3,311,800	4,937,109
Water Authority of the Cayman Islands	0	34,310,611	34,310,611

89. 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 2018 represent more than 50% of their total revenue.

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

Entity	Revenues from Govt (Outputs)	% of Total Revenue
Auditor Oversight Authority	315,000	92%
Cayman Islands National Museum	821,000	81%
Cayman National Cultural Foundation	660,000	75%
Children & Youth Services Foundation	2,683,000	96%
National Drug Council	644,781	97%
Tourism Attractions Board	2,000,000	60%
University College of the Cayman Islands	4,315,529	56%

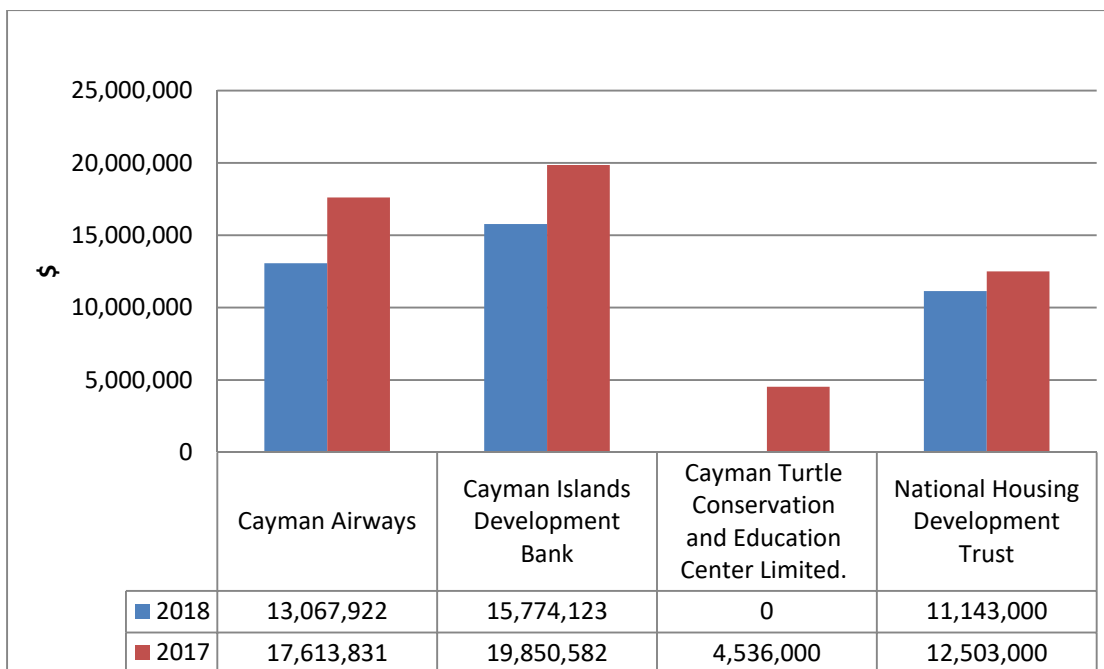
90. Of the \$110 million of revenue sourced from the Government for 2018, \$96 million (87%) was generated by four entities, the most significant being the Health Services Authority which earned \$53 million of revenue (representing 45% of its total revenue for the year). The other entities with significant revenues from the Government were:

- Cayman Airways Limited - \$19 million (28% of total revenue)
- Cayman Islands Monetary Authority - \$16 million (46% of total revenue)
- National Roads Authority - \$7.5 million (33% of total revenue)

NON-CURRENT DEBTS/LOANS

91. The total non-current portion of debts/loans of SAGCs as at 31 December 2018 decreased by \$16 million compared to the balance at 30 June 2017 to \$39 million. This debt was held by four entities as presented in the exhibit below.

Exhibit 8: SAGCs Non-Current Debts/Loans



92. Government provides the guarantee for the debt held by Cayman Airways, Cayman Islands Development Bank (CIDB), Cayman Turtle Conservation and Education Center³ and the National Housing Development Trust.

³ 2018 balance is unaudited

POST-RETIREMENT HEALTH CARE OBLIGATIONS

93. 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.
94. To be eligible for these benefits employees of SAGCs would have had to been 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.
95. The exhibit below provides the obligations based on actuarial valuations that were recorded in 2016-17 and 2018 for SAGCs with eligible employees.

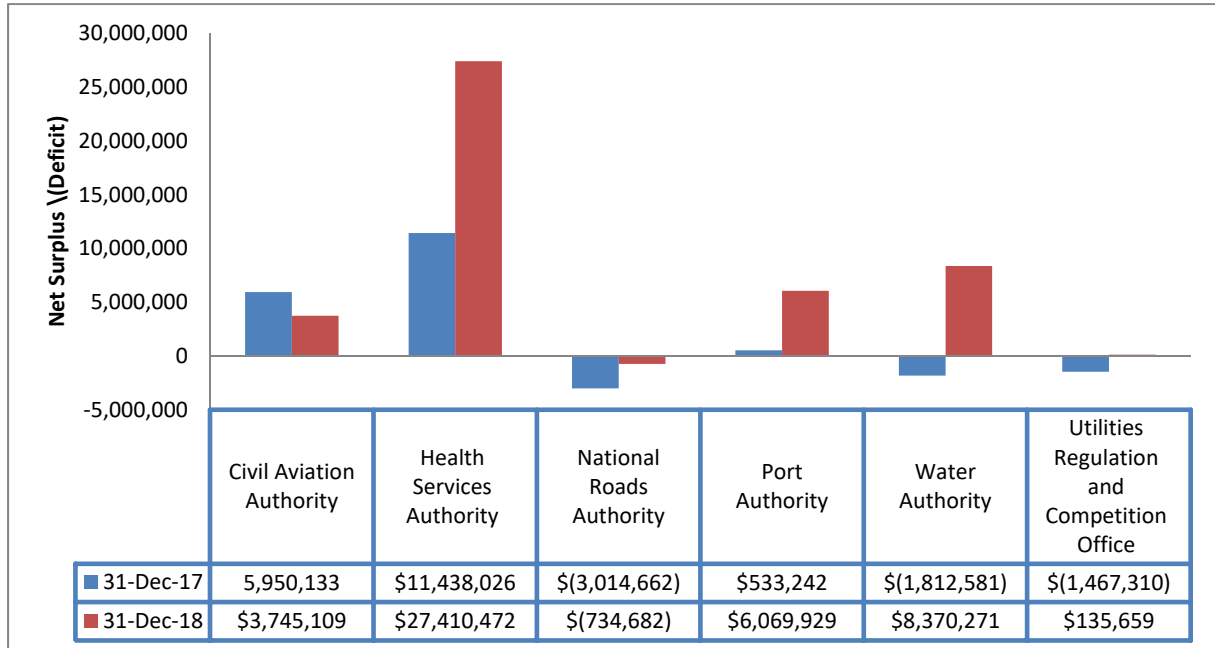
Exhibit 9: SAGCs Post-Retirement Health Care Obligations

Entity	As at 31 December 2017	As at 31 December 2018
Cayman Islands Airport Authority	15,763,000	Audit ongoing
Cayman Islands Monetary Authority	6,520,000	6,995,000
Civil Aviation Authority	2,082,000	1,954,000
Health Services Authority	149,118,000	137,416,000
Maritime Authority	5,490,000	5,229,000
National Roads Authority	16,510,000	15,545,000
Port Authority	34,694	33,105,000
Public Service Pension Board	1,300,000	1,169,000
Water Authority	18,065,000	16,764,000

CHANGE IN FINANCIAL PERFORMANCE

96. The exhibit below presents those SAGCs that had a significant change in their financial performance in 2018 compared to 2016-17.

Exhibit 10: SAGCs Significant changes in performance



97. The most significant changes in performance, was the Health Services Authority, which increased its surplus in 2018 by \$16 million compared to 2016-17. Three of the entities with significant movement in performance improved from deficits in 2016-17 to surpluses in 2018, with the Water Authority reporting the most significant swing moving from a deficit of \$1.8 million to a surplus of \$8.4million.

DEFICIENCIES IN INTERNAL CONTROLS & SIGNIFICANT FINDINGS -SAGCS

98. 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 2018 audits of SAGCs.

CIDB																				
Observation	Management Response																			
<p>High Delinquency rate (current and prior years)</p> <p>The CIDB delinquency rate is extremely high. Delinquent loans stood at \$16,338,612 as of December 31, 2017 representing 56% of the entire loan portfolio and \$16,338,612 as of December 31, 2018, representing 53% of the total loan portfolio:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Loan Category</th> <th style="text-align: right;">2018</th> <th style="text-align: right;">2016-17</th> </tr> </thead> <tbody> <tr> <td>Performing Loans (a)</td> <td style="text-align: right;">12,168,473</td> <td style="text-align: right;">12,756,383</td> </tr> <tr> <td>Non-Performing Loans (b)</td> <td style="text-align: right;">13,542,381</td> <td style="text-align: right;">16,338,612</td> </tr> <tr> <td>Gross Total Loans (c)</td> <td style="text-align: right;">25,710,854</td> <td style="text-align: right;">29,094,995</td> </tr> <tr> <td>Performing Loans % (a/c)</td> <td style="text-align: right;">47%</td> <td style="text-align: right;">44%</td> </tr> <tr> <td>Non-Performing Loans % (b/c)</td> <td style="text-align: right;">53%</td> <td style="text-align: right;">56%</td> </tr> </tbody> </table>			Loan Category	2018	2016-17	Performing Loans (a)	12,168,473	12,756,383	Non-Performing Loans (b)	13,542,381	16,338,612	Gross Total Loans (c)	25,710,854	29,094,995	Performing Loans % (a/c)	47%	44%	Non-Performing Loans % (b/c)	53%	56%
Loan Category	2018	2016-17																		
Performing Loans (a)	12,168,473	12,756,383																		
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Performing Loans % (a/c)	47%	44%																		
Non-Performing Loans % (b/c)	53%	56%																		
<p>The delinquency rate has not risen despite the decrease in the loan portfolio from principal payments and limited loan growth. The Board approved the write down of \$1.7million in old, fully provisioned debt. The net effect was a decrease in delinquencies. There will be periodic write downs as required by IAS that will reflect the current portfolio performance from newer loan programs written under revised policy.</p> <p>Legal remediation does not always produce better collection results and can often lead to increased provisioning to absorb legal costs. The bank will increase collection efforts and enter standstill agreements if applicable to manage problem accounts prior to a final sale scenario.</p> <p>The account relationship Officers/Managers are constantly looking at ways to make collection.</p>																				

CIDB																									
Observation	Management Response																								
<p>Inadequate collateral assets monitoring</p> <p>Based on our review there is not an active update of the status of collateral assets. Some residential properties have been repossessed for over 5 years, which seems longer than the market tends to require for a sale. The on-site CIMA inspection report (see issue # 7) also identified issues with adequate monitoring of collateral assets.</p> <p>The valuation aging analysis below shows that only 19 % of the properties have current valuation reports :</p> <table border="1"> <thead> <tr> <th>Valuation Aging</th> <th>Loan Balance</th> <th>Security Value</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>0 - 3 years</td> <td>4,384,354</td> <td>6,268,112</td> <td>19%</td> </tr> <tr> <td>4 -6 years</td> <td>3,711,669</td> <td>6,020,125</td> <td>18%</td> </tr> <tr> <td>7 years & over</td> <td>3,554,507</td> <td>8,374,257</td> <td>25%</td> </tr> <tr> <td>No date</td> <td>7,411,808</td> <td>13,041,749</td> <td>39%</td> </tr> <tr> <td>Grand Total</td> <td>19,062,338</td> <td>33,704,243</td> <td>100%</td> </tr> </tbody> </table>	Valuation Aging	Loan Balance	Security Value	%	0 - 3 years	4,384,354	6,268,112	19%	4 -6 years	3,711,669	6,020,125	18%	7 years & over	3,554,507	8,374,257	25%	No date	7,411,808	13,041,749	39%	Grand Total	19,062,338	33,704,243	100%	<p>The Risk Management Department started a project on the 25th June 2019 to update property valuation reports for all loans secured by Real Estate. We will monitor going forward to try to get updated property valuation reports every three (3) years.</p>
Valuation Aging	Loan Balance	Security Value	%																						
0 - 3 years	4,384,354	6,268,112	19%																						
4 -6 years	3,711,669	6,020,125	18%																						
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No date	7,411,808	13,041,749	39%																						
Grand Total	19,062,338	33,704,243	100%																						

CINICO	
Observation	Management Response
<p>Assessment of eligibility</p> <p>Consistent with our management report for the years ended June 30, 2014, 2015, 2016 and for the period ended December 31, 2017, and as is common with many insurance companies, we observed that retro-active premium adjustments are required as a result of changes in the eligibility information received from various government entities. Retro-active premiums from subsequent months are adjusted in the financial statements. CINICO has not yet formalized a defined cut-off period for which the Company will provide</p>	<p>CINICO is recording the prior period adjustments in the proper accounting period, however as noted in the recommendation, CINICO would include a policy on retro-adjustments in its summary plan document, which would be updated in 2019.</p>

CINICO	
Observation	Management Response
<p>premium credits or charges relating to incorrect member eligibility information they receive.</p> <p>This creates a Significant retro-active premium adjustments resulting from incorrect member eligibility will not be recorded in the proper accounting period.</p>	
<p>Third party service provider oversight</p> <p>Consistent with our management report for the years ended June 30, 2015, 2016 and the period ended December 31, 2017, we noted that CINICO places extensive reliance on various third party service providers. During the period under audit, CINICO had not implemented formal policies or reviews with respect to service auditor reports to ensure controls performed by third party service providers relating to claims adjudication and claims handling processes were operating effectively.</p>	<p>In 2019, as part of its Risk Management Framework Policy (2018), Management has put a process in place to review the SOC 1 reports of its 2 Third Party Service providers. These reports were reviewed in CINICO's May 10th, 2019 Risk Committee. The reports were subsequently tabled at the May 21st, 2019 Board of Directors meeting. In relation to monitoring third party service requirements - in addition to clearly defined service level contract requirements, review of service standards are performed daily in CINICO's interaction with its service providers. Any deficiencies are reported timely and collaboratively addressed between CINICO and the service provider.</p>

HEALTH SERVICES AUTHORITY	
Observation	Management Response
<p>No Compliance and Internal Audit review on revenue</p> <p>The Health Authority implemented the Three Lines of Defense model in 2017 for the oversight of controls which includes setting up a Compliance Department and outsourcing of internal audit function to the CIG's Internal Audit Service. As at 31 December 2018, no compliance audit or internal audit report was prepared for revenue and receivables In addition, the</p>	<p>Management is working to reestablish a Compliance Department, a department which had launched and was operating from December 2017 through November 2018. Once a team is put in place the intention is to move forward with said robust audit plan and road map, as approved by the Board.</p> <p>The Health Authority engaged with Deloitte in 2017 to conduct an extensive</p>

HEALTH SERVICES AUTHORITY	
Observation	Management Response
<p>compliance audit program and road map is still draft form.</p>	<p>audit of its revenue cycle. The Health Authority had also engaged with Internal Audit Services (IAS) to conduct a Revenue Cycle Governance audit. This IAS audit was put on hold further to a report dated September 2018, where it was determined that, given HSA was implementing controls and procedures further to the Deloitte recommendations, it would be more efficient to provide this audit after implementation was relatively complete. The Health Authority will discuss timing of a revenue cycle governance audit with IAS.</p>
<p>HR Matter</p> <p>From the review of the 2018 financial statements it was observed that the Authority had paid back pay salary totaling \$1.9 million to staff of which \$92.6 thousand was paid to Key Management Personnel. These payments were as a result of a rationalization exercise that was conducted with the objective of recognizing service/experience and moving salaries from 2008 to 2016 market prices (using experience only). A Board directive to this effect was given in June 2017, and an approval was given by the board on 4 September 2018 to carry out the salary rationalization retroactive to 1st of January 2018. Our review revealed that some payments were made outside the directive and therefore part of the rationalization payment fell outside of the appropriate authorization.</p>	<p>Management will review and discuss additional internal controls and training to put in place, in order to mitigate this risk, on a going forward basis.</p>
<p>Clean up long outstanding Accounts Receivable (AR) credits</p> <p>As at 31 December 2018, total outstanding AR credits amounted to \$2.5 million of which \$1.6 million are over 365 days. This amount is presented as Other Liabilities in the financial statements. AR credits are due to the following:</p> <ul style="list-style-type: none"> • Patient paid larger co-pay than was necessary or no co-pay was necessary; 	<p>Given the volume and age of these credits, Health Authority is actively seeking assistance from Cerner to have the balance of credits applied to the relevant patient's balance, to write-off those which may have occurred in error, and to refund those where duplicate payments have been received. Note that some credit</p>

HEALTH SERVICES AUTHORITY	
Observation	Management Response
<ul style="list-style-type: none"> • Duplicate or incorrect charges were reversed after the patient or insurance provider had already provided payment; • Patient paid deposit upfront and then left without being seen or cancelled appointment; • Duplicate billing; • Duplicate billing to a secondary insurer. <p>Subsequent to the yearend, \$325 thousand was cleared as a result of application to subsequent charges, refund and write-off.</p>	<p>balances include those which offset against balances owed by CINICO to the Health Authority. Agreements were entered into between the two entities to write off these balances which could not be reconciled, largely due to the CarePay contract termination.</p>

NATIONAL HOUSING DEVELOPMENT TRUST	
Observation	Management Response
<p>Delinquency among tenants remain high</p> <p>Delinquency among tenants remain high. During the 2018 financial year, 8 persons were noted from our sample testing as being delinquent or severely delinquent with accumulated outstanding amounts in total being in excess of \$135,000.</p>	<p>That is correct the Tenant Delinquency remained high at \$164K for 2018 and \$186k for 2017. In contrast, the low variance year on year reflects collections within the year thereby reducing overall Tenant Delinquency by \$22k for 2018. The same approach has thus far been taken in 2019. The continued delinquent and severely delinquent 12-cases are attributed to a few Tenants that require further action at Board level in addition to this there are 5 cases that are assisted by the NAU.</p>

NATIONAL ROADS AUTHORITY	
Observation	Management Response
<p><u>Procurement of Goods & Services</u></p> <p>Purchases of goods and services are required to be carried out competitively so as to achieve the delivery</p>	<p>Management will endeavor to ensure full compliance with the Procurement Law, 2016 and Procurement Regulations, 2018.</p>

NATIONAL ROADS AUTHORITY

Observation	Management Response
<p>of value for money in procurement that will ensure the appropriate use of public funds.</p> <p>We noted instances where goods were purchased without tendering, obtaining quotes from different suppliers or where justification for single-sourcing contrary to the requirements of The Financial (Amendment) Regulations, 2017 (prior to 1 May 2018) and The Procurement Law, 2016 (from 1 May 2018 onwards).</p> <p>Examples of non-compliance noted include:</p> <ul style="list-style-type: none"> • Purchase of aggregates for various projects in the amount of \$495K in 2018. <p>Purchase of vehicles totaling \$244k.</p>	<p>The Authority accepts that whilst value for money was achieved on the procurement of the two dump trucks, the Authority did not comply with the Procurement Law/Regulations.</p> <p>The Authority does take minor exception with the Audit Offices observations regarding the Carmannah lighted crosswalks. These lighted crosswalks are proprietary systems and should arguably be regarded as single source/direct award procurement given that:- 1) The NRA previously demonstrated VfM in comparison with other similar systems, 2) Standardization of the electronic sign equipment ensures that the NRA is able to match an existing brand of signal for compatibility.</p> <p>The policy directives obtained from the Central Procurement Office do not require PPC or EPC approval for single source/direct awards amounting to less than CI\$100K. Note also that the majority of the Carmannah lighted signs procured during the 2018 fiscal year were for a special pedestrian safety project at the CIAA Airport terminal.</p> <p>Re Aggregate Procurement: The NRA has operated under a long standing but informal arrangement with the local quarries in the procurement of aggregate/fill material for roads construction. Following a meeting with the Financial Secretary in 2007 it was agreed and understood that quite often no one or two local quarries are able to supply large quantities of aggregate in a timely manner on NRA Capital projects. The NRA accepted that local quarries do consort with respect to aggregate prices and it was in many respects advantageous for the NRA to negotiate a common fixed unit rate for</p>

NATIONAL ROADS AUTHORITY	
Observation	Management Response
	<p>materials in order to avoid loss of time and money in tendering for every individual project. Previous procurement legislation did not recognize alternate forms of procurement such a competitive dialogue, two-stage tenders, etc. Fortunately, the new procurement regulations allow for alternate procurement methods and the NRA will from here-on seek to address the procurement of large quantities of aggregate via one or more of these procurement types. Framework agreement and competitive dialogue are two examples of procurement methods the NRA will address with the Public Procurement Committee.</p>
<p><u>Fixed assets management</u></p> <p>There were discrepancies between the fixed assets register and the yearend fixed assets count records i.e.:</p> <ul style="list-style-type: none"> • Assets with a net book value of \$62k at 31 December 2018 were reflected in the asset register but were not counted at year end based on the asset count records (please see Appendix 4); • There are assets reflected in the year end count records but not reflected in the asset register (please see Appendix 5); and <p>Fully depreciated assets that cost \$907k were deleted off from the asset register during the year yet they were still held at year end per the physical asset count records.</p>	<p>The Authority recognizes certain assets appear on its Financial Fixed Asset schedule which are not held under direction of the Fleet Manager and thus does not appear on The Fleet Manager’s Asset Schedule.</p> <p>These Assets are Monitored and under care of other Senior Staff due to their nature. In recognition of this the schedule of these assets will be provided for future reference to reflect NRA’s control of these assets accordingly.</p> <p>The Authority has provided a correct asset register to its Auditor for confirming recognition of all assets held by the Authority inclusive of those having no book value.</p>
<p><u>Safeguarding of Fixed Assets</u></p> <p>The following control weaknesses were observed over the custody and usage of fixed assets particularly equipment and vehicles:</p> <ul style="list-style-type: none"> • It was observed that there were no logging systems in place for vehicles and equipment leaving the compound and job sites. 	<p>The NRA is taking steps to implement tighter controls over the use of fixed assets in particular equipment and vehicles. Thus far in 2019 the NRA has implemented the following:</p>

NATIONAL ROADS AUTHORITY	
Observation	Management Response
<p>No review of usage of vehicles and equipment to determine if usage is appropriate and related to the Authority's business.</p>	<ol style="list-style-type: none"> 1. A restriction on take home vehicles (approved by BOD on February 6, 2019) 2. Implementation of automated Vehicle Tracking (by GPS) on all NRA fleet. The NRA expects to have all of its vehicles and equipment equipped with GPS tracking by the end of August 2019. The BOD approved the fleet tracking system on April 24, 2019 3. An internal policy has also been put in place whereby all requests for heavy equipment transports by low-boy trailer shall be coordinated with the Fleet Manager who creates and email log of the details of the transport and confirms the transport with the Works Manager, and superintendents and Managing Director.

UCCI	
Observation	Management Response
<p><i>Unfunded pension liability</i> It was noted that the Defined Benefit Pension has been underfunded to date. The liability owed to Central Government in relation to future Defined Benefit Pension obligations may not be met due to insufficient resources. We understand the University College would require additional funding to meet these payments or cut back on other core commitments to manage these requirements.</p>	<p>On 29 November 2016, the Board of Governors, in a letter to the Public Service Pension Board ("PSPB"), requested a meeting to discuss the loans and payment plan to liquidate the University College's defined benefit obligation. A response was received on 3 May 2017. On 29 November 2016, the Board of Governors, in a letter to the Ministry of Education, requested a low interest loan to address the University College's defined benefit obligation. No loan or equity injection has been forthcoming from the Minister as</p>

UCCI	
Observation	Management Response
	requested. Management has included in its 2020/2021 budget submission, through the Ownership Agreement” a request for an Equity Injection sufficient to liquidate the \$1.252M December 31, 2018 unfunded pension liability balance. Management also intends to additional funding through future Purchase Agreements, sufficient to cover the annual pension service costs of its defined benefit pension plan.
<p>Duty allowance</p> <p>The University College pays an additional compensation called Duty Allowance to specific department heads and certain positions within management amounting to \$120,912. There are no contracts, agreements or board resolutions for these extended responsibilities and compensation and authorising these allowances nor were we able to identify any controls over the allowance amounts being paid.</p>	<p>Management believes that section K of the Board Approved salary policy speaks clearly and definitively about the mechanics of the administrative stipend and Head of Department Allowance and current practices are consistent with said policy. We will consider the audit recommendation and include the referred addendum if we so determine that this will improve internal controls and corporate governance</p>

OFFREG	
Observation	Management Response
<p>Value for Money Issues</p> <p>The Office entered into a 10 year contractual agreement during 2017. It was noted during the audit that in 2018 a total cost of \$206,232 was incurred and expenditures relating to the lease were still being paid. The Offices are still unoccupied to date despite paying rental for the location. No evidence of a business case or value for money analysis for the incurrence of such significant cost has been obtained. In addition, the Office currently leases another Office under a month to month operating lease.</p>	<p>This Office agrees with the recommendation. An Official travel policy was drafted in July 2018. The Board of Directors placed an embargo on travel without their specific approval through the end of 2018. The Travel Policy was finalized and put into effect on October 25, 2019.</p>

APPENDIX D - FINANCIAL PERFORMANCE OF MINISTRIES, PORTFOLIOS AND OFFICES

99. 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 2018 fiscal period and the 2016-17 18-month reporting period with budgetary information included for those audits that are still ongoing to facilitate comparative analysis. I have also highlighted in exhibit 17 some of the control deficiencies and other significant findings noted while auditing some of these entities.

SUMMARY FINANCIAL ASSESSMENT - REVENUES

100. 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.

101. 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. Over the period from 2014 to 2018 the total amount of revenue generated from the provision of outputs to the Cabinet increased from \$297 million to \$362 million, and total revenues over the same period increased from \$331 million to \$407 million.

Exhibit 11: Ministries, Portfolios and Offices Total Revenues by source

Fiscal year/period	Outputs to Cabinet	Other sources	Total Revenue
2014	297,484	33,527	331,011
2015	297,688	34,726	332,414
2016	316,351	36,584	352,935
2017	444,561	45,442	490,003
2018	362,620	44,537	407,157

102. The exhibits that follow summarises Ministries, Portfolios and Offices total revenue by source in dollars and as a percentage from 2014 to 2018.

Exhibit 12: Ministries, Portfolios and Offices Total Revenues by type (\$'000)

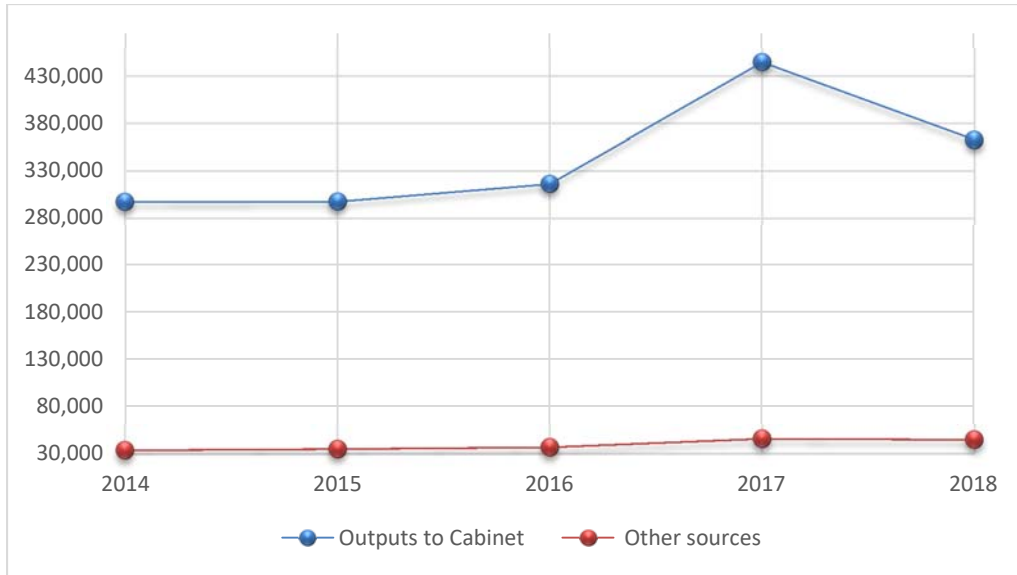
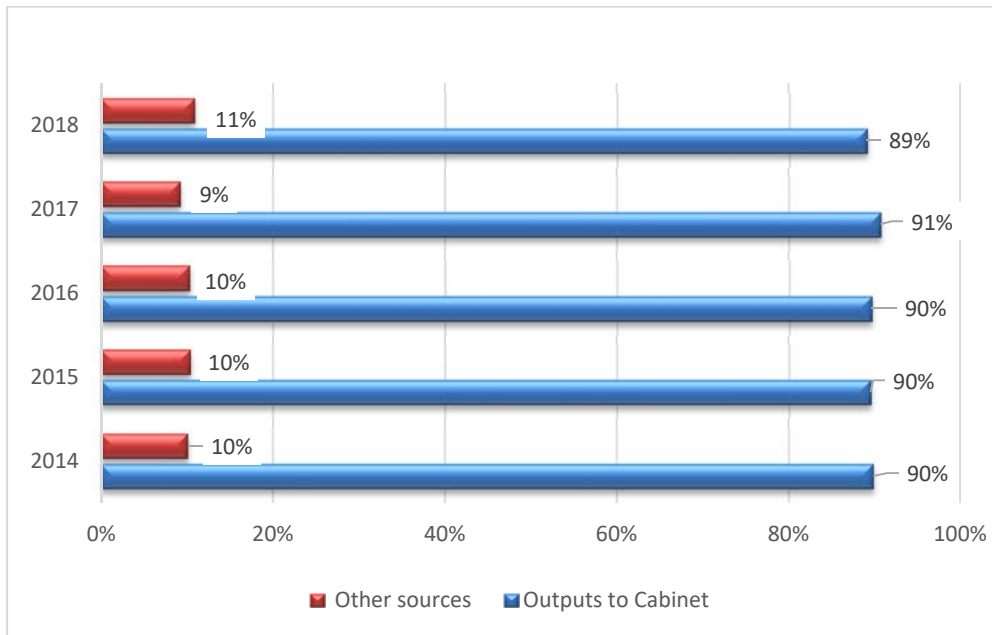


Exhibit 13: Ministries, Portfolios and Offices Total Revenues by type (%)



103. As illustrated in the previous exhibits, the revenue from both sources has increased over the 5 year period, with revenue from Outputs to Cabinet increased from \$297million in 2014 to \$363million in 2018, and revenue from other sources increased from \$33 million to \$44 million over the same period. It should be noted that there was a spike in 2017 as this was an 18 month fiscal period.

104. Although there was increases in the amounts of revenue, the allocation source has remained relatively consistent over the same period, with approximately 90% of total revenue being sourced from Outputs to Cabinet and 10% from other sources.
105. 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.
106. The exhibit below shows the allocations of revenues by sources for all Ministries, Portfolios and Offices for 2018.

Exhibit 14: Ministries, Portfolios and Offices 2018 Revenues by source

Entity	Outputs to Cabinet (\$'000)	Other Sources (\$'000)	Total Revenue (\$'000)s	% Revenue Cabinet Funded
Cabinet Office	7,814	1,596	9,410	83%
Director of Public Prosecution	3,318	0	3,318	100%
Judicial Administration	6,739	161	6,900	98%
Ministry of Community Affairs	13,072	70	13,142	99%
Ministry of District Administration, Tourism and Transport	34,483	577	35,060	98%
Ministry of Education, Youth, Sports, Agriculture & Lands	98,067	4,848	102,915	95%
Ministry of Finance and Economic Development	23,406	7,010	30,416	77%
Ministry of Fin. Services & Home Affairs	45,376	2,488	47,864	95%
Ministry of Health, Environment Culture & Housing	26,230,000	4,491,000	30,721,000	85%
Ministry of Human Resources and Immigration	54,695	14,870	69,565	79%
Ministry of Commerce, Planning & Infrastructure	31,066	7,030	38,096	82%
Office of the Ombudsman	1,569	0	1,569	100%
Portfolio of the Civil Service	10,630	670	11,300	94%
Portfolio of Legal Affairs	6,155	726	6,881	89%

107. 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.
108. 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.
109. 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.
110. 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.

FINANCIAL PERFORMANCE AND POSITION

111. For 2018 all of the Ministries, Portfolios and Offices for which an audit had been completed reported with the exception of the Ministry of Commerce, Planning & Infrastructure had a surplus (total revenue equaled total expenditure) on their statement of financial performance.
112. However, as I have noted in the previous general report, 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 effectiveness of the respective entities operations, a process which is currently lacking 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.
113. Exhibit 15 presents the net surplus or deficit even for Ministries, Portfolios and Offices for the year ended 31 December 2018.

Exhibit 15: Financial Performance – The year ended 31 December 2018

Entity	Surplus/deficit (,000)
Cabinet Office	517,000
Office of the Director of Public Prosecution	76,000
Judicial Administration	102,000
Ministry of Community Affairs	280,145
Ministry of District Administration, Tourism and Transport	1,838,000
Ministry of Finance & Economic Development	3,837,000
Ministry of Financial Services and Home Affairs	2,066,000
Ministry of Human Resources and Immigration	10,697,000
Ministry of Commerce, Planning & Infrastructure	(239,000)
Office of the Ombudsman	93,000
Portfolio of the Civil Service	1,385,000
Portfolio of Legal Affairs	305,000
Ministry of Education, Youth, Sports, Agriculture & Lands	715,000

114. Consistent with their financial performance all entities for which an audit has been completed for 2018 reported healthy financial positions, with all entities having positive current ratios i.e. having adequate current assets to meet current obligations.

115. 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.

116. The Ministry of Education reported the most notable current ratio of 24.57 which was attributable to significant current assets which consisted of \$41 million of cash and cash equivalents and \$33 million of current investments, which are deposits held with the Cayman Islands Government treasury and are readily convertible without any risk of change in value.

117. Exhibit 16 provides the current ratios for all Ministries, Portfolios and Offices for which an audit has been completed for the year 2018.

Exhibit 16: Financial Position as at 31 December 2018

Entity	Total Current assets	Current Liabilities	Current Ratio
Cabinet Office	8,037	2,171	3.70
Director of Public Prosecution	505	286	1.77
Judicial Administration	2,771	1,593	1.74
Ministry of Community Affairs	6,477	888	7.29
Ministry of District Administration, Tourism and Transport	18,193	16,633	1.09
Ministry of Education, Youth, Sports, Agriculture & Lands	96,719	3,937	24.57
Ministry of Finance and Economic Development	18,280	6,257	2.92
Ministry of Fin. Services & Home Affairs	19,696	10,326	1.93
Ministry of Human Resources and Immigration	63,239	21,285	2.97
Ministry of Commerce, Planning & Infrastructure	26,059	14,243	1.83
Office of the Ombudsman	701	166	4.22
Portfolio of the Civil Service	8,378	7,030	1.19
Portfolio of Legal Affairs	2,600	934	2.78

DEFICIENCIES IN INTERNAL CONTROLS & SIGNIFICANT FINDINGS – CORE GOVERNMENT

118. 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 2018 audits of Ministries, Portfolios and Offices.

Exhibit 17: Deficiencies in internal controls and significant findings for 2018 – Core Government

CABINET OFFICE																
Observation	Management Response															
<p><u>Employee leave</u></p> <p>We noted that there were some employees with outstanding leave days greater than the maximum annual leave entitlement of 28 days as per the Personnel Regulations (2017 Revision). The Office owed \$84k in outstanding leave pay to these employees at 31 December 2018.</p>	<p>Management agrees with this recommendation and supports and encourages employees to use accrued leave.</p> <p>Due to high job demands, and inadequate coverage it is sometimes difficult for some senior members of staff to take leave.</p> <p>Notably, this occurrence represents a small percentage of the Portfolio’s staff complement.</p> <p>Management will continue to monitor the situation.</p>															
<p><u>Procurement - London Office</u></p> <p>We were not provided with evidence that quotations from at least three suppliers were obtained for the procurement of the following consultancy services contracts:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Contract duration</th> <th style="text-align: center;">Monthly fee (GBP)</th> <th style="text-align: center;">Contract value (GBP)</th> </tr> </thead> <tbody> <tr> <td>12 months</td> <td style="text-align: center;">3,475</td> <td style="text-align: center;">41,700</td> </tr> <tr> <td>6 months</td> <td style="text-align: center;">8,000</td> <td style="text-align: center;">48,000</td> </tr> <tr> <td>N/A</td> <td style="text-align: center;">25,200</td> <td style="text-align: center;">25,200</td> </tr> <tr> <td>N/A</td> <td style="text-align: center;">GBP 1,200 - 8,000</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>	Contract duration	Monthly fee (GBP)	Contract value (GBP)	12 months	3,475	41,700	6 months	8,000	48,000	N/A	25,200	25,200	N/A	GBP 1,200 - 8,000	-	<p>Management accepts that better documentation of the process and decision making is required.</p> <p>CIGO (UK) has initiated a system for producing Business Cases prior to starting any procurement process and to seek appropriate approval for the procurement in mind.</p>
Contract duration	Monthly fee (GBP)	Contract value (GBP)														
12 months	3,475	41,700														
6 months	8,000	48,000														
N/A	25,200	25,200														
N/A	GBP 1,200 - 8,000	-														

CABINET OFFICE			
Observation			Management Response
Open ended contract	1,500	Open ended contract	Implemented in 2019
Open ended contract	1,000	Open ended contract	
INV-0989	10,000	10,000	
INV-1119	13,500	13,500	
INV-15239	27,119	27,119	
<p>In addition, we were not provided with evidence that annual performance reviews were conducted for consultants with multi-year contracts to ascertain whether or not they were meeting the objectives set in their respective contracts.</p>			
<p>1. <u>Compliance with the Public Service Pensions Law (2017 Revision) London Office</u></p> <p>We noted that a pension liability of \$68,236, outstanding as at 31 December 2017, was still unpaid as at 30 April 2018.</p> <p>This is contrary to the requirements of section 17 (3) of the Public Service Pensions Law (2017 Revision) which requires pension contributions to be paid within 15 days of the month following that in which they are due.</p>			<p>Management agrees with this recommendation.</p> <p>This difference is largely related to UKO contributions which were delayed as a result of the difficulty in receiving monthly accounts from the Office.</p> <p>Implemented in 2019</p>

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT	
Observation	Management Response
<p>Waste of public funds as a result of the improper management of contract, deficiencies in procurement functions, lack of oversight and insufficient due diligence in regards to the procurement of TRIPS.</p> <p>We reported issues with the procurement of the TRIPS for the Customs department's revenue processes.</p>	<p>The Customs Border and Control Services will ensure that it complies with procurement legislation, in all circumstances, and that proper analysis and monitoring is conducted in order to identify potential losses and overruns in a timely manner.</p>

MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT	
Observation	Management Response
We noted in the 2018 audit that some of these issues have resulted in the write off of the remaining value of TRIPS system in the amount of approximately \$970k resulting in potential wastage in public funds	

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS	
Observation	Management Response
<p>Non-compliance with the Procurement Law, Procurement Regulation and Procurement Policy A number of goods and services were not procured in accordance with the Procurement Law (2016), Procurement Regulation (2018) and the Ministry's Procurement Policy. In some cases, Purchase Orders were not prepared and reasons for single sourcing not documented. In one instance, a consultant has been paid over 200K for the financial period but there was no evidence to justify the use of the consultant and to demonstrate the procurement process carried out to select the consultant.</p> <p>Potential conflict of interests Employees who are involved with organizations outside of government are required to submit an application to undertake outside gainful employment. In some cases, employment outside of government may conflict with the individual's current role.</p> <p>In conducting the audit, it was revealed that once approved, there is no evidence of the measures taken to ensure that the potential conflict of interest is managed and the necessary controls are in place to mitigate the likelihood that the employee's private</p>	<p>Extenuating circumstances and the relevance of several exemptions under the Procurement law were considered as part of a business case and sign-off of a sole-source provider. Proper procurement process continues to be followed.</p> <p>Management has noted the recommendation and will review procedures relating to Private Gainful Employment.</p>

MINISTRY OF FINANCIAL SERVICES AND HOME AFFAIRS

Observation	Management Response
<p>capacity interests improperly influence the performance of their duties and responsibilities.</p> <p>Lack of business case and monitoring of overtime (Recurring)</p> <p>Consistent with prior year, this account balance is significant. For the 12-month period ended 31 December 2018, overtime expense was 2.6M for Fire and Prison, representing a 98% 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 to mitigate any potential abuse.</p> <p>Fraud and Risk Management (Recurring)</p> <p>There are no formal policies and procedures for identifying and responding to fraud risk factors and other risks.</p> <p>Related Party Disclosures (Recurring)</p> <p>Related party disclosures are not adequately assessed on submission of register on interest forms for impact on financial statement disclosures.</p>	<p>Management has noted the recommendation. The IDC is still being monitored and due to overcrowding at Northward some of the low risk prisoners are now being housed at the IDC therefore overtime will continue for the time being.</p> <p>Fire Dept. currently has new recruits and the training period is 6-12 months. We anticipate that the overtime at the Fire Dept. will start to reduce in late 2020.</p> <p>The CIG Anti-Fraud Policy was put in place as at June 2017 government wide. Employees from our Ministry and departments have since received anti-fraud training.</p> <p>The CIG provided additional training on Internal Controls and Risk Management Frameworks in May 2019. Additional training is to be provided after which the Ministry will review its resources with a view to developing formal processes as it relates to risk management.</p> <p>Management has noted the recommendation and will aim to put a process in place.</p>

MINISTRY OF COMMERCE, PLANNING & INFRASTRUCTURE

Observation	Management Response
<p>Non-Tendering -(Department of Vehicle and Equipment Services “DVES”)</p> <ul style="list-style-type: none">• DVES – Fuel Contract and Tendering <p>During the audit, it was noted that there was still no contract in place for the supply of fuel to replace the previous expired contract with RUBIS.</p> <p>Additionally, the tender process had not yet been completed for this service as the fuel facility was under construction during the financial year into the 2019 financial year.</p>	<p>The Fuel Supply RFP has been concluded, however, legal advice on a contract matter is being sought.</p> <p>There is a question as to change of octane rating however; the specific octane grade in question was not included in the RFP fuel range.</p>

APPENDIX E – FINANCIAL ANALYSIS - SAGCS

STATEMENT OF FINANCIAL PERFORMANCE – SAGCS

Tables 1 to 4 present details of individual SAGCs reported results from 2013-14 to 2018

Table 1: Net Profit/Loss or Surplus/Deficit reported by SAGCs from 2013-14 to 2018

Year Ending	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17	31-Dec-18
Auditor Oversight Authority	0	194,428	5,709	46,023	33,220
Cayman Airways Limited ⁴	(1,983,060)	3,057,778	3,207,847	(12,785,809)	(617,395) ⁴
Cayman Islands Airport Authority ⁴	1,689,181	10,016,853	10,885,197	13,109,095 ⁴	6,483,373 ⁴
Cayman Islands Development Bank	61,692	(669,284)	404,513	(717,454)	(432,821)
Cayman Islands Monetary Authority	684,000	(157,000)	708,000	10,128,000	8,358,000
Cayman Islands National Museum	5,217	(9,647)	26,297	128,405	78,931
Cayman National Cultural Foundation	(99,235)	(136,303)	(112,764)	(230,371)	(89,820)
Cayman Islands Stock Exchange	257,039	407,128	491,944	948,841	907,795
Cayman Turtle Conservation and Education Centre Ltd ⁴	(7,516,306)	(6,340,399)	(6,293,334)	(11,906,740)	(6,876,833) ⁴
Children & Youth Services Foundation	323,611	106,271	254,906	(134,215)	(493,340)
CINICO	4,596,067	(1,454,825)	(4,494,675)	(5,311,834)	(6,992,990)
Civil Aviation Authority	2,500,092	3,548,511	2,373,925	5,950,133	3,745,109
Electricity Regulatory Authority	286,796	396,916	191,340	36,090	0
Health Services Authority	1,864,479	(1,859,966)	(1,684,406)	11,438,026	27,410,472
Information & Communications Technology Authority	181,069	(104,169)	(139,252)	(27,574)	0
Maritime Authority	782,671	449,740	(401,177)	718,543	1,795,595
National Drug Council	(29,977)	1,120	12,796	34,003	(17,364)
National Gallery	(108,488)	(116,989)	(261,859)	103,091	(39,965)
National Housing Development Trust	(1,529,000)	(1,703,000)	(2,572,000)	(1,765,000)	(1,397,000)
National Roads Authority	304,055	(625,727)	(4,869,167)	(3,014,662)	(734,682)
Port Authority	325,451	349,696	(1,332,011)	(873,735)	1,593,929
Public Services Pension Board	(3,529)	(3,514)	(3,628)	(4,748)	(3,306)
Sister Islands Affordable Housing Development Corporation	(104,000)	(113,000)	(171,000)	(7,000)	(151,000)
Tourism Attraction Board	(49,368)	(214,875)	(277,094)	237,241	243,596
University College of the Cayman Islands	(117,465)	13,781	2,623,627	153,010	(519,954)

⁴ Unaudited or budget number used where audit still ongoing

Year Ending	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17	31-Dec-18
Utilities Regulation and Competition Office	N/A	N/A	N/A	(1,446,088)	135,659
Water Authority of the Cayman Islands	1,879,657	4,061,412	(2,154,498)	(1,812,581)	4,934,271

Table 2: SAGC expenses reported from 2013-14 to 2018

Year Ending	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17	31-Dec-18
Auditor Oversight Authority	288,682	336,568	366,217	432,477	309,411
Cayman Airways Limited ⁴	75,647,771	71,143,165	71,034,680	129,347,319	69,945,827 ⁴
Cayman Islands Airport Authority ⁴	24,779,335	20,608,024	20,468,353	34,406,906 ⁴	29,364,167 ⁴
Cayman Islands Development Bank	2,398,051	2,929,590	2,076,099	3,959,238	2,950,905
Cayman Islands Monetary Authority	19,214,000	20,337,000	23,700,000	36,710,000	28,199,000
Cayman Islands National Museum	1,059,849	1,005,436	1,003,947	1,381,861	938,212
Cayman National Cultural Foundation	968,656	1,037,422	1,006,409	1,531,270	964,869
Cayman Islands Stock Exchange	1,377,822	1,433,744	1,450,004	2,134,265	1,857,762
Cayman Turtle Conservation and Education Centre Ltd ⁴	13,556,614	13,503,226	14,828,316	8,398,330	15,027,766 ⁴
Children & Youth Services Foundation	1,910,870	2,160,229	2,437,997	4,260,487	3,276,507
CINICO	58,999,751	67,733,101	70,993,880	109,667,029	86,981,896
Civil Aviation Authority	4,424,175	3,791,638	5,078,173	6,416,079	4,740,502
Electricity Regulatory Authority	679,404	530,809	566,997	375,968	0
Health Services Authority	94,486,473	104,847,671	106,920,342	169,391,394	119,284,265
Information & Communications Technology Authority	1,597,885	1,927,540	2,204,340	1,478,437	0
Maritime Authority	8,823,202	8,386,801	9,740,362	14,746,146	9,502,391
National Drug Council	574,764	557,551	549,612	963,852	678,931
National Gallery	983,190	1,033,910	1,096,867	1,739,857	1,136,240
National Housing Development Trust	2,641,000	3,553,000	6,157,000	3,764,000	3,627,000
National Roads Authority	9,272,010	12,740,433	19,072,157	26,244,604	16,522,516
Port Authority	22,902,951	20,180,531	25,631,898	35,166,826	20,558,811
Public Services Pension Board	3,678	3,675	3,787	4,844	3,479
Sister Islands Affordable Housing Development Corporation	160,000	523,000	717,000	330,000	588,000
Tourism Attraction Board	3,102,433	3,140,073	3,223,668	4,587,526	3,097,261
University College of the Cayman Islands	7,313,125	7,316,388	7,182,921	11,139,376	8,168,057
Utilities Regulation and Competition Office	N/A	N/A	N/A	4,476,385	4,801,450
Water Authority of the Cayman Islands	27,467,944	25,993,540	32,397,967	49,762,354	29,376,340

Table 3: SAGC output revenue from Government sources reported from 2013-14 to 2018

Year Ending	30-Jun-14	30-Jun-15	30-Jun-16	31-Dec-17	31 Dec-18
Auditor Oversight Authority	288,682	502,042	315,000	472,500	315,000
Cayman Airways Limited ⁴	17,805,808	17,805,800	17,305,800	26,459,010	17,963,333 ⁴
Cayman Islands Airport Authority	0	0	0		0
Cayman Islands Development Bank	574,768	570,768	569,268	850,153	1,026,317
CIMA	9,865,000	6,865,000	10,693,000	20,750,000	16,333,000
Cayman Islands National Museum	887,173	820,800	820,800	1,231,200	821,000
Cayman National Cultural Foundation	679,394	628,900	628,900	943,350	660,000
Cayman Islands Stock Exchange	0	0	0	0	0
Cayman Turtle Conservation and Education Centre Ltd.	0	0	0	0	0
Children & Youth Services Foundation	2,178,000	2,178,000	2,514,513	3,617,000	2,683,000
CINICO	27,039,000	28,309,378	29,706,436	31,712,156	0
Civil Aviation Authority	0	0	0		0
Electricity Regulatory Authority	(342)	5,500	15,040	21,667	0
Health Services Authority	31,527,400	25,907,058	27,075,848	76,572,118	57,060,494
Information & Communications Technology Authority	345,551	345,551	325,489	176,307	0
Maritime Authority	432,270	429,716	427,945	539,145	413,578
National Drug Council	541,138	552,958	552,958	955,000	644,781
National Gallery	434,119	401,850	401,850	703,775	0
National Housing Development Trust	645,000	580,000	581,000	871,000	581,000
National Roads Authority	9,183,356	1,711,270	3,673,124	7,506,994	5,285,730
Port Authority	0	0	0	0	0
Public Services Pension Board	0	0	0	0	0
Sister Islands Affordable Housing Development Corporation	55,000	72,000	72,000	108,000	75,000
Tourism Attraction Board	2,033,555	1,952,214	1,902,213	2,928,021	2,000,000
University College of the Cayman Islands	4,248,542	4,073,205	4,077,658	6,315,449	4,315,529
Utilities Regulation and Competition Office	NA	NA	NA	698,487	1,625,309
Water Authority	0	0	0	472,500	0
Total	108,763,414	93,712,010	101,658,842	183,431,332	111,803,071

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

Exhibit 18 and 19 present details of individual Ministries, Portfolios and Offices reported results from 2013-14 to 2018. Budget or unaudited draft numbers are included for audits not completed to date. It should be noted that 2016-17 was an 18-month period so it not directly comparable to the other 12 month fiscal years.

Exhibit 18: Ministries, Portfolios and Offices Expenses Trend Analysis over the period 2013-14 to 2018

Entity	2013-14 (\$'000)	2014-15 (\$'000)	2015-16 (\$'000)	2016-17 (\$'000)	2018 (\$'000)
Cabinet Office	5,751	5,802	6,841	12,216	8,906
Director of Public Prosecution	2,660	2,904	3,027	4,330	3,242
Information Commissioners Office	795	676	557	647	NA
Judicial Administration	5,495	5,666	5,779	9,196	6,798
Ministry of Community Affairs	12,711	15,067	18,178	24,972	12,861
Ministry of District Administration, Tourism and Transport	30,014	27,990	29,002	46,039	33,222
Ministry of Education, Youth, Sports, Agriculture & Lands	95,580	76,454	72,734	133,309	102,200
Ministry of Finance and Economic Development	17,958	16,749	18,931	31,092	26,579
Ministry of Fin. Services and Home Affairs	9,166	9,153	11,152	34,625	45,798
Ministry of Home Affairs, Health & Culture (Health & Culture) ⁴	21,378	20,293	20,373	24,049 ⁴	30,928 ⁴
Ministry of Human Resources & Immigration	88,683	89,391	93,931	120,976	58,868

Entity	2013-14 (\$'000)	2014-15 (\$'000)	2015-16 (\$'000)	2016-17 (\$'000)	2018 (\$'000)
Ministry of Commerce, Planning, & Infrastructure	44,540	41,967	42,174	59,762	38,335
Office of the Complaints Commissioner	646	611	540	615	NA
Office of the Ombudsman	N/A	N/A	N/A	384	1,476
Portfolio of the Civil Service	7,074	7,217	7,507	13,801	9,923
Portfolio of Legal Affairs	6,543	5,990	5,848	9,860	6,576

⁴ Unaudited numbers taken from the draft financial statements or budget

Exhibit 19: Ministries & Portfolios 2018 Revenue Analysis

Entity	Outputs to Cabinet (\$'000)	Other Sources (\$'000)	Total Revenue (\$'000)s	% Revenue Cabinet Funded
Cabinet Office	7,814	1,596	9,410	83%
Director of Public Prosecution	3,318	0	3,318	100%
Judicial Administration	6,739	161	6,900	98%
Ministry of Community Affairs	13,072	70	13,142	99%
Ministry of District Administration, Tourism and Transport	34,483	577	35,060	98%
Ministry of Education, Youth, Sports, Agriculture & Lands	98,067	4,848	102,915	95%
Ministry of Finance and Economic Development	23,406	7,010	30,416	77%
Ministry of Fin. Services & Home Affairs	45,376	2,488	47,864	95%
Ministry of Health, Environment Culture & Housing ⁵	26,230,000	4,491,000	30,721,000	85%
Ministry of Human Resources and Immigration	54,695	14,870	69,565	79%
Ministry of Commerce, Planning & Infrastructure	31,066	7,030	38,096	82%
Office of the Ombudsman	1,569	0	1,569	100%
Portfolio of the Civil Service	10,630	670	11,300	94%
Portfolio of Legal Affairs	6,155	726	6,881	89%

APPENDIX G – INDIVIDUAL ENTITY REPORTING

119. 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.

120. With respect to the outstanding audits for 2016-17 and 2018, 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	2017 QUALIFICATION	2018 QUALIFICATION
MINISTRY OF HUMAN RESOURCES & IMMIGRATION	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.	Unqualified audit opinion.
MINISTRY OF COMMUNITY AFFAIRS	<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.</p>	Unqualified audit opinion

SAGCs - QUALIFICATIONS

ENTITY	2017 QUALIFICATION	2018 QUALIFICATION
HEALTH SERVICES AUTHORITY	<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>	Unqualified audit opinion

ENTITY	2017 QUALIFICATION	2018 QUALIFICATION
CAYMAN NATIONAL CULTURAL FOUNDATION	<p>The Foundation has been named as a defendant, among others, in a personal injury claim where a judgment was awarded during the year ended 30 June 2016. The judgment awarded the plaintiff damages of CI\$5,946,889 with a further sum and liability for legal costs still to be determined. We understand that the awarded amount has been partially paid by the Cayman Islands Government and no determination has been 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 equity contribution to the Foundation, as the Foundation is financially dependent on the Cayman Islands Government. We were unable to obtain sufficient, appropriate audit evidence relating to the amount of the damages applicable to the Foundation. Consequently, we were unable to determine whether any adjustments, if any, were necessary to make to the financial statements.</p>	Unqualified audit opinion

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

ENTITY	2017 EMPHASIS OF MATTER & OTHER MATTERS	2018 EMPHASIS OF MATTER & OTHER MATTERS
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CABINET OFFICE	No reported matters.	Although I did not qualify my audit opinion, I brought to the attention of readers that the Cabinet of Ministers authorized a reallocation of appropriations of \$440,000 from the Ministry of Human Resources and Immigration to the Cabinet Office for exceptional circumstances in accordance with section 11 (5) of the Public Management and Finance Law (2018 Revision) (“PMFL”). As at the date of my audit report on the 2018 financial statements, a Supplementary Appropriation Bill for the reallocation has not been passed into Law by the Legislative Assembly as required by section 11(6) of the PMFL.
MINISTRY OF FINANCIAL SERVICES & HOME AFFAIRS	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 of Financial Services and Home Affairs was authorized under section 11 (5) of the Public Management and Finance Law to adjust its appropriation for exceptional circumstances. As at the date of my audit report on the 2018 financial statements being issued the Supplementary Appropriation Bill has not been passed into Law by the Legislative Assembly for the \$730,000 reallocation.
MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT	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	No reported matters.

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.

**COMPLAINTS
COMMISSIONER**

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

No reported matters.

**INFORMATION
COMMISSIONER'S
OFFICE**

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.

No reported matters.

SAGCs – EMPHASIS OF MATTER & OTHER MATTERS

ENTITY	2017 EMPHASIS OF MATTER & OTHER MATTERS	2018 EMPHASIS OF MATTER & OTHER MATTERS
CAYMAN ISLANDS DEVELOPMENT BANK	Without qualifying my opinion, I highlighted that during September 2017, a partial prepayment of US\$8 Million was	Without qualifying my opinion, I highlighted that the Bank received \$2.25 Million in contributed capital

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.

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.

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

from the Cayman Islands Government during the year ended December 31, 2018. I noted that the Bank received payments amounting to \$1.026 Million for providing services to the Cayman Islands Government.

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.

I also emphasized to readers, that impaired loans as at December 31, 2018 amounted to \$13.5 million. This represents 53% of the overall loan portfolio excluding allowances for credit losses.

**CAYMAN ISLANDS
NATIONAL MUSEUM**

In 2017, I brought to the reader's attention that the Museum is dependent upon the 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 casts significant doubt about the Museum's ability to continue as a going concern.

Although I did not qualify my audit opinion, I brought to the attention of readers that the Cabinet of Ministers authorized a reallocation of appropriations of \$60,300 from the Ministry of Health, Environment, Culture & Housing to the Cayman Islands National Museum for exceptional circumstances in accordance with section 11 (5) of the *Public Management and Finance Law (2018 Revision)* ("PMFL"). As at the date of my audit report on the 2018 financial statements, a Supplementary Appropriation Bill for the reallocation has not been passed into Law by the

Legislative Assembly as required by section 11(6) of the PMFL.

**CAYMAN NATIONAL
CULTURAL
FOUNDATION**

In 2017, 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.

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

**CHILDREN AND YOUTH
SERVICES
FOUNDATION**

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

No reported matters.

**PUBLIC SERVICE
PENSIONS BOARD**

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 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

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

Valuations which were the last approved contribution rates.

contribution rates contained in the 2014 Funding Actuarial Valuations which were the last approved contribution rates.

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

NATIONAL GALLERY

In 2017, I 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.

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

CAYMAN AIRWAYS LIMITED

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

Audit ongoing

ELECTRICITY REGULATORY AUTHORITY	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.	NA
HEALTH SERVICES AUTHORITY	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 \$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	Without qualifying my opinion I drew attention to note 22 of the financial statements, which states that the recognition of post-retirement health liability resulted in a net deficit of \$7.3 million. This event raised a substantial doubt about the Heath Authority's ability to continue as a going concern. The note also describes the series of action taken by management to alleviate this concern. .
ICTA	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.	NA
NATIONAL ROADS AUTHORITY	Without qualifying my opinion, I drew 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.	Without qualifying my opinion, I drew attention to note 21 of the financial statements, which stated that the Cabinet of Ministers authorized a reallocation of appropriations of \$112,000 from the Ministry of Commerce, Planning and Infrastructure to the National Roads Authority for exceptional circumstances in accordance with section 11 (5) of the Public Management and Finance Law (2018 Revision)

(“PMFL”). As at the date of my audit report on the 2018 financial statements being issued, a Supplementary Appropriation Bill for the reallocation has not been passed into Law by the Legislative Assembly as required by section 11(6) of the PMFL.

**SEGREGATED
INSURANCE FUND**

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.

No reported matters

**AUDITOR OVERSIGHT
AUTHORITY**

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.

No reported matters

**NATIONAL DRUG
COUNCIL**

No reported matters

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

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