

FINANCIAL REPORTING OF THE CAYMAN ISLANDS
GOVERNMENT



OCTOBER 2023



**To help the public
service spend wisely**

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GLOSSARY

Audit opinion	<p>The overall conclusion of the Auditor General on the financial statements (in common with an independent auditor governed by International Standards on Auditing). It can be one of four different types that distinguish the level of reliance readers can place on them:</p> <ul style="list-style-type: none">• Clean or unqualified opinion (technical term: unmodified) – The information contained within the financial statements can be relied upon.• Qualified – A portion of the financial statements cannot be relied upon, but the reader can rely on the rest.• Adverse – There are such significant deficiencies and errors in the information in the financial statements that they should be considered unreliable for the user, and the information contained therein is untrustworthy.• Disclaimer – The auditor was not provided with sufficient information to conduct an audit (in essence, this is not an opinion).
Coercive revenue	<p>Revenues are based on the Government's inherent powers to charge those within its jurisdiction or revenue earned by the core governments using the state's coercive power and for which no direct service exchange occurs.</p>
Contingent liability	<p>A possible obligation that may arise in the future depending on the outcome of a specific or uncertain event. A contingent liability is reported only when the potential value can be estimated.</p>
Core government	<p>Ministries, portfolios, and independent offices of the Cayman Islands Government. Ministries, portfolios, and independent offices are referred to as <i>core government entities</i>.</p>
Depreciation and amortisation	<p>Depreciation is the mechanism used to allocate the cost of a tangible asset (for example, equipment and buildings) over the asset's estimated useful life. Amortisation is allocating the cost of an intangible asset (for example, computer software) over the asset's estimated useful life. The cost of capitalised tangible and intangible assets is allocated as an expense to each of the benefitting periods through the depreciation and amortisation process.</p>
Emphasis of Matter paragraph	<p>A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements</p>

Entire public sector (EPS)	The core government and all statutory authorities and government companies (SAGCs).
Executive transactions	Financial transactions under the direct legal responsibility of Ministers, being administered by core government entities on their behalf (in contrast with entity transactions, which are under the direct legal responsibility of the heads of public entities, e.g. Chief Officers or Chief Executive Officers). These include coercive revenues, transfer payments, executive assets, and debts (and related financing expenses). Examples of executive assets are infrastructure, heritage assets, and other assets generally for the welfare of the entire country, in contrast with assets for the specific use of public entities to deliver their services (such as a hospital building). Other kinds of executive transactions are defined separately.
Other Matter paragraph	A paragraph in the auditor's report referring to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report.
Public bodies	Any one of the entities responsible for separate financial accountability and reporting in the Cayman Islands Government, i.e. a ministry, portfolio, independent office, statutory authority, or government company.
Statutory Authorities and Government Companies (SAGCs)	Any one of the entities owned by the Government that are not in core government. Statutory authorities have been created by specific Acts (e.g., the Water Authority was created under the <i>Water Authority Act</i>). At the same time, government companies have been organised under the <i>Companies Act</i> (i.e., similar to any company operating and present in the Cayman Islands, such as the Cayman Islands Stock Exchange Ltd.)

LIST OF ABBREVIATIONS

AOA - Auditors Oversight Authority	MFSC - Ministry of Financial Services and Commerce
CAA - Civil Aviation Authority	MHW - Ministry of Health and Wellness
CAL - Cayman Airways Limited	MDAL - Ministry of District Administration and Lands
CAYS - Children and Youth Services Foundation	MBCL - Ministry of Border Control and Labour
CIAA - Cayman Islands Airports Authority	MHA - Ministry of Home Affairs
CIDB - Cayman Islands Development Bank	MIISD - Ministry of Investment, Innovation and Social Development
CIG - Cayman Islands Government	MSCR - Ministry of Sustainability and Climate Resiliency
CIMA - Cayman Islands Monetary Authority	MTT - Ministry of Tourism and Transport
CINICO - Cayman Islands National Insurance Company	MYSCH - Ministry of Youth, Sports, Culture and Heritage
CINM - Cayman Islands National Museum	NDC - National Drug Council
CIP - Cayman Islands Parliament	NGCI - National Gallery of the Cayman Islands
CISX - Cayman Islands Stock Exchange Ltd.	NHDT - National Housing and Development Trust
CNCF - Cayman National Cultural Foundation	NRA - National Roads Authority
CO - Cabinet Office	OAG - Office of the Auditor General
CTC - Cayman Turtle Conservation and Education Centre Limited	OCP - Office of the Commissioner of Police
DPP - Office of the Director of Public Prosecutions	OMB - Office of the Ombudsman
EPS - Entire Public Sector	PACI - Port Authority of the Cayman Islands
HSA - Health Services Authority	PLA - Portfolio of Legal Affairs
IAS - International Accounting Standards	PoCS - Portfolio of the Civil Service
IASB - International Accounting Standard Board Interpretations Committee	PSPB - Public Service Pensions Board
IFRS - International Financial Reporting Standards	SIAHDC - Sister Islands Affordable Housing Development Corporation
IPSAS - International Public Sector Accounting Standards	SIF - Segregated Insurance Fund
JA - Judicial Administration	TAB - Tourism Attractions Board
MACI - Maritime Authority of the Cayman Islands	UCCI - University College of the Cayman Islands
MPAHI - Ministry of Planning, Agriculture, Housing and Infrastructure	URCO - Utilities Regulation and Competition Office
MOE - Ministry of Education	WACI - Water Authority of the Cayman Islands
MFED - Ministry of Finance and Economic Development	

EXECUTIVE SUMMARY

Section 61 of the *Public Management Finance Act, 2020 Revision* (PMFA) requires me to present to Parliament the results of all audits conducted and any significant matters I would like to bring to the attention of Parliament. This report does that. The PMFA reporting and accountability framework requires public bodies to prepare and present financial statements and annual reports to my Office for audit. The annual reports and financial statements are essential documents that enable Parliament and the residents of the Cayman Islands to hold the Government and individual public bodies accountable for their use of public money.

As of 30 September 2023, most of the 2022 public bodies' financial audits were complete, i.e. 40 out of 46 audits.¹ This report provides a position statement as of 30 September 2023. I am delighted that, of those audits completed, all of them received unqualified audit opinions. However, some audit opinions have "emphasis of matter" or "other matter paragraphs".

It is worth noting that the 2020, 2021, and 2022 audits of the consolidated Entire Public Sector (EPS) account are still ongoing. The EPS account includes the consolidation of the 21 Ministries, Portfolios and Offices (including the Office of the Auditor General), 26 Statutory Authorities and Government Companies (SAGCs), and the 'Executive Transactions', including transfer payments, coercive revenues, executive expenditure, assets, and liabilities of the Government. For the financial periods 2016-17 to 2019, the EPS account of the Government received an adverse opinion due to numerous accounting issues. This report does not cover the EPS account in great detail but includes a summary of issues identified in the most recent audit for 2020, which my Office is finalising. An adverse opinion will be issued for 2020.

In this report, I provide details on the key audit matters for 2022. For example, although the outcomes of public bodies' audits are good, that is, all are unqualified opinions, I have concerns about the quality of the submitted financial statements. During the audits, a significant number of adjustments were identified, and additional disclosures needed to be made. I also noted a high number of incidences of non-compliance with Acts and regulations, particularly in relation to procurement and the *Public Authorities Act*. In addition, the report explains matters raised through the 'emphasis of matter' and 'other matter' paragraphs on the audit opinions.

I also describe the state of financial management and reporting in the Cayman Islands public sector over recent years and suggest improvements. Furthermore, the report provides appendices showing the status

¹ The OAG's financial statements for 2022 were submitted and audited by the respective statutory deadlines and received an unqualified audit opinion. The OAG's Annual Report for 2022 was tabled in the Parliament by 30 September 2023 (the cut-off date for this report). All figures reported exclude the OAG.

of audits for the five years from 2018 to 2022, including my audit opinions (Appendix A). This report includes appendices that are rich in information about the 2022 financial performance of the individual Ministries, Portfolios and Offices (Appendix B) and SAGCs (Appendix C), as well as supporting financial analysis on them (Appendices D and E). Appendix F contains internal control deficiencies, and Appendix G contains new and revised accounting standards for 2022 and future periods. Appendix H contains a list of all public bodies and their auditors.

Of the 40 completed audits for 2022, 18 are for core government entities and 22 for SAGCs. The financial results of the 18 completed 2022 core government audits show that 12 Ministries, Portfolios and Offices recorded a surplus, five broke even, and one recorded a deficit. The Ministry of Home Affairs (MHA) recorded a deficit for the 2022 financial year. This was mainly due to a higher-than-anticipated depreciation charge of \$1.5 million based on the revaluation that was done in 2021.

The financial results reported by SAGCs for 2022 continue to present a mixed picture. Of the 22 completed SAGC audits, 16 recorded surpluses, four made deficits, and two broke even. Appendices C and E provide further detail on SAGCs' financial performance. Five SAGCs recorded the most significant surpluses (more than \$10 million) - The Health Services Authority (HSA), the Port Authority of the Cayman Islands (PACI), the Cayman Islands Monetary Authority (CIMA), the Cayman Islands National Insurance Company (CINICO), and the Water Authority of the Cayman Islands (WACI).

The surpluses for HSA and PACI are mainly due to technical issues rather than surpluses made on operating activities. These are the re-measurement of the post-retirement pension and healthcare liabilities and the revaluation gains on investment property. The HSA made an overall surplus of \$49.7 million in 2022. The surplus resulted from measurement gains of \$51 million and \$4.3 million on the healthcare-defined benefit and the defined benefit pension plan, respectively, with a deficit of \$5.1 million from operations. The PACI made an overall surplus of \$16 million resulting from a loss from operations of \$4.2 million and gains from revaluing investment property and the defined healthcare plan of \$1.9 million and \$18.3 million, respectively. Of the four SAGCs reporting deficits, Cayman Airways Limited (CAL) recorded the most significant deficit of \$13.2 million.

Appendix E demonstrates that a considerable proportion of SAGCs continue to show signs of being under financial strain. As noted in my previous General Reports, this will likely 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. In particular, Appendix E shows that CAL, the National Housing Development Trust (NHDT), and the Public Service Pensions Board (PSPB) consistently recorded year-on-year deficits.

Public bodies are now routinely preparing annual reports to accompany their financial statements. I urge Members of Parliament (MPs) and the public to read these to get a fuller and deeper understanding of government business. The laying of annual reports in Parliament has remained steady over the last four years. Only 19 annual reports for the 2022 financial year have been tabled by 30 September 2023. This

compares well to 2021, when only 8 of the 43 completed audits had been laid in Parliament by 30 September 2022. However, while 19 is an improvement from last year, it is still less than half of the 40 completed 2022 audits laid in Parliament to date. In addition, the Parliament is not sitting frequently enough to facilitate the tabling of these reports. I strongly urge all public bodies to lay their annual reports and financial statements in Parliament on time and publish these on their websites as soon as possible. I further urge Parliament to meet more frequently so that they may table these reports. Appendix A shows when entity annual reports were laid in Parliament.

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

INTRODUCTION

1. I am pleased to present this report to Parliament summarising the outcomes and status of my Office's financial audits of public bodies for the year ending 31 December 2022.² There are 47 public bodies to audit in 2022, comprising the EPS, 20 Ministries, Portfolios, Offices and 26 Statutory Authorities and Government Companies (SAGCs).³ I believe that Members of Parliament will find this report helpful in ensuring financial accountability and transparency for government operations.
2. My staff conducted 32 of the 47 financial audits in-house audits. Four private sector firms (Eisner Amper, Grant Thornton, KPMG, and PwC) conducted the remaining 15 audits. These are still subject to a final OAG quality review, my review, and sign-off. Appendix H shows the audits undertaken by my staff and those outsourced to private sector firms.
3. Public bodies prepare and present annual reports to accompany their financial statements. Annual reports provide readers with data and analysis on the financial performance of public bodies during the respective financial periods. Most public bodies produced annual reports for the 2022 financial year and submitted them to my Office for review and verification in 2023. However, some public bodies do not submit their updated annual reports on time to my Office for final review after issuing their financial statements, which causes delays. It is disappointing to note that as of the date of this report, only 19 of the 40 completed 2022 audits have been laid in Parliament.
4. The EPS audits for 2022, 2021, and 2020 are still ongoing. For the 2022 financial year, the EPS comprises the consolidation of 21 Ministries, Portfolios and Offices (including the OAG), 26 SAGCs and the additional Government income, expenditure, assets and liabilities that are considered 'Executive' in nature. Whereas, for the 2021 financial year, the EPS comprised the consolidation of 24 Ministries, Portfolios and Offices (including the OAG) and 26 SAGCs and the additional Government income, expenditure, assets and liabilities that are considered 'Executive' in nature. I issued adverse opinions for the 2018 and 2019 financial years and will issue an adverse opinion in the near future for 2020.
5. I want to thank the staff of all public bodies, especially the finance teams, for their efforts. It is commendable that all completed audits are unqualified, i.e. clean audit opinions, as detailed in

² The audits of three public bodies and EPS for 2022 have not yet been started at the time of this report as prior year audits are ongoing.

³ The 47 public bodies exclude the Office of the Auditor General (OAG).

Appendix A. I want to thank my team at the OAG and our contracted auditors at Eisner Amper, Grant Thornton, KPMG, and PwC for their commitment and efforts in supporting my Office.

KEY AUDIT MATTERS

INTRODUCTION

6. As part of the audit process, I communicate with those persons charged with governance at the respective public bodies by issuing a Management Letter, also known as the International Standard on Auditing (ISA) 260 Report. This report includes significant and relevant internal control deficiencies and non-compliance with acts, regulations, and policies.
7. Besides the respective Chief Officers, my Office presents these reports to the Government's Audit and Risk Assurance Committee (ARAC) for the core government entities. The Deputy Governor established the ARAC in September 2019. The ARAC provides the Deputy Governor with independent and objective advice on governance, risk management, internal control, financial management and reporting, and internal audit for the core government.
8. For SAGCs, those charged with governance are the Board of Directors (Board). The Cabinet appoints the Board Members to oversee the strategic direction, manage the performance of SAGCs and provide a layer of accountability to the Parliament. SAGC Boards include non-voting representatives from the Ministry under which the entity falls, and several SAGC boards also have a representative from the Ministry of Finance and Economic Development (MFED).
9. In the following section, I briefly discuss some critical matters considered during the 2022 audits that had implications for various public bodies. I have also provided extracts of the significant issues brought to the attention of those charged with governance for SAGCs and core government entities. Refer to Appendix F for a summary of these internal control deficiencies.

SIGNIFICANT ADJUSTMENTS MADE TO FINANCIAL STATEMENTS

10. The quality of financial information submitted to my Office by the public bodies needs improvement. This is demonstrated by the number and value of audit adjustments made to the financial statement after they had been submitted to my Office for audit. In 2022, over 280 audit adjustments valued at \$115 million were made by all public bodies. Exhibit 1 overleaf summarises the number and value of adjustments made due to the 2022 audits.

Exhibit 1: Audit adjustments made to the financial statements of Ministries, Portfolios & Offices (MPOs) and SAGCs

Entity	Expenses	Income	Assets	Liabilities	Equity	Number of Adjustments
MPOs	8,169,036	691,910	11,630,723	6,672,225	9,516,330	142
SAGCs	18,090,016	661,219	17,570,684	78,210,543	105,513,545	116
Total	26,529,052	1,353,129	29,201,407	84,882,768	115,029,875	285

11. These adjustments resulted in expenditure changing by over \$26.5 million, which affected the bodies' financial performance. Assets and liabilities were also adjusted by over \$29 million and almost \$85 million, respectively, which affected public bodies' financial positions. This means that decisions could have been made based on inaccurate financial data during the year. Internal controls for most public bodies need strengthening, and accounting policies are often inadequate. All of this hinders transparency of the financial reporting process.
12. It is worth noting that \$70 million of the adjustments made related to revaluations of pension and post-employment healthcare liabilities based on the actuarial valuations at the end of the year. Independent actuarial firms provided the valuation reports after the year-end. However, most of the other adjustments should have been made before submitting the financial statements to my Office for audit.

INADEQUATE DISCLOSURES IN THE FINANCIAL STATEMENTS

13. Public bodies seem reluctant to disclose sufficient detail about certain matters in their financial statements until my Office raises the issues. Standards are designed to drive transparency and assist users' understanding of the financial statements. However, several entities did not update the new and revised international accounting standards disclosures. These were material omissions. Public bodies can do more to ensure adequate disclosures relating to issues such as severance payments, subsequent events, commitments, segment reporting and budget variance explanations.
14. For example, key management personnel and segment reporting disclosures by the Ministry of Financial Services and Commerce (MFSC) were done after my Office insisted on them. IPSAS 18 requires an entity to identify its separate segments (or cost centres) and to present information about them as required by the accounting standards. This helps users of the financial statements to understand the entity's past performance better and to identify the resources allocated to support the major activities of the entity.
15. Other key disclosures in the financial statements that are often inadequate relate to explaining the differences between the actual financial position, spending and income against the budget. IPSAS 24 requires a comparison of budget amounts and the actual amounts and a comparison of

original and final budget amounts to be included in the financial statements of public bodies that are required to or elect to, make publicly available their approved budget(s). Also, IPSAS 24 requires disclosing the reasons for material differences between the budget and actual amounts. The draft financial statements of most public bodies lack sufficient explanations for budget variances.

NON-COMPLIANCE WITH ACTS AND REGULATIONS

16. In March 2017, Parliament passed the *Public Authorities Act (PAA)*, which commenced on 1 June 2017, except for section 47, which covered salary scales and job evaluation. Section 47 was slated to take effect on 1 June 2018 but was deferred to June 2019.
17. One of the factors that led to the drafting of the PAA was audit findings reported over the 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 the 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.
18. In response to these and other factors, the Cabinet sought to have the legislation drafted with the following objectives:
 - Provide more control to the Cabinet on how each public authority should operate;
 - 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 the Cabinet to apply strategic policy initiatives to public authorities when it is in the public's best interest.

PUBLIC AUTHORITIES ACT (PAA) - REMUNERATION OF STAFF

19. The PAA sets out how SAGCs are expected to determine staff's terms and conditions and remuneration. The PAA section 47 (1) and (2) requires SAGCs to use the same salary scale, as determined by the Cabinet, and that all jobs are evaluated using the same job evaluation methodology. This is the civil service salary scheme. The PAA requires that after the

commencement date, where there is a difference between the terms and conditions of employment at a SAGC and the civil service, the salary grades for remuneration in the SAGC be adjusted accordingly to reduce such differences.

20. All SAGCs were required to conduct job evaluations of current positions in their organisations. This was to determine whether the salary bands for the positions aligned with the salary scale determined by the Cabinet to ensure compliance with the requirements of the PAA. Most SAGCs could not conduct these evaluations internally, and they engaged the Portfolio of Civil Service (PoCS) to perform these on their behalf.
21. My Office noted that the Civil Aviation Authority of the Cayman Islands (CAA), CIMA and PACI have not fully complied with section 47(1) of the PAA, as they had not adopted the revised salaries following the job evaluations. HSA and WACI were in a similar position in 2021 but have since rectified this. I have included this as an 'emphasis of matter' paragraph in audit opinions.

Recommendation 1: The Cayman Islands Monetary Authority, the Civil Aviation Authority and the Port Authority of the Cayman Islands should urgently complete the implementation of the *Public Authorities Act* to ensure they fully comply.

INCONSISTENCIES IN IMPLEMENTING PUBLIC AUTHORITIES ACT (PAA) - SECTION 47(1)

22. In conducting the 2022 audits, I noted some inconsistencies in the application of the PAA Section 47 by several SAGCs. Notably, some SAGCs applied the salary adjustments from the effective date of the PAA 47, i.e. 1 June 2019, whilst others applied the salary adjustments from when the job evaluation exercise was completed. For example, the National Roads Authority (NRA) and the Cayman Turtle Conservation and Education Centre Limited (CTC) applied the salary adjustments prospectively. However, the Tourism Attraction Board (TAB), University College of the Cayman Islands (UCCI), and National Gallery of the Cayman Islands (NGCI) applied the adjustments retrospectively, backdated to 1 June 2019.
23. The inconsistencies in the application of this section of the Act can mainly be attributed to the fact that no guidance was provided on the application of this Act. This has resulted in some public servants being treated unequally.

PUBLIC AUTHORITIES ACT (PAA) – TERMS AND CONDITIONS OF STAFF

24. The key objective of PAA section 47(3) is to align the non-monetary benefits of SAGC employees with those of their civil service counterparts. Non-monetary benefits include health insurance, pensions, leave entitlements and retirement benefits. Most SAGCs have implemented the provisions of PAA section 47(1), which deals with aligning the monetary benefits. However, I noted in 2021 that the HSA had moved to implement PAA section 47(3) in relation to pension contributions before fully implementing PAA section 47(1). I previously reported in *Improving*

Financial Accountability and Transparency: Budgeting that it is not clear if the financial consequences of legislation are adequately considered and budgeted for. We estimate that all SAGCs implementing section 47(3) would incur additional recurring annual costs of about \$14 million in pension contributions as civil servant do not make any contributions. The current cost of healthcare for all SAGCs is about \$17 million, and this is for employees only. Implementing PAA section 47(3) could potentially increase this amount as employees' dependants would become eligible for cover at the expense of the SAGCs. The Government either needs to change their policy and the PAA if this is judged unaffordable or provide SAGCs with the necessary funding.

25. I previously recommended in *Improving Financial Accountability and Transparency: Financial Management and Transparency* in May 2021 and my previous General Report that the Government should estimate the cost of fully implementing PAA section 47 and ensure that SAGCs are provided with sufficient funding in their future budgets. The Government agreed and accepted this recommendation, but it appears the Government response was only in relation to PAA section 47(1) (salary scales) and did not extend to PAA section 47(3) (non-monetary benefits of pension and healthcare).

Recommendation 2: The Government needs to consider the financial implications before further implementing the *Public Authorities Act* section 47.

BOARD MEETINGS ARE NOT BEING HELD IN LINE WITH THE PUBLIC AUTHORITIES ACT (PAA)

26. I noted several instances of non-compliance with the PAA regarding board meetings. Examples of these are listed below:

- The National Drug Council (NDC) Board only met twice during the 2022 financial year. This is inconsistent with section 17(1) of the PAA, which requires the Board to meet at least once every three months.
- The Minister for Planning, Agriculture, Housing and Infrastructure called a board meeting at the NRA on 29 December 2022. This contravenes section 17(1)(c) of the PAA, which allows only the Chairman to call extraordinary board meetings (if requested to do so by three board members). The PAA does not provide for a Minister to call board meetings. Only four out of eight directors attended the meeting of those entitled to vote, causing the meeting to proceed without the required quorum. This contravenes the PAA Section 17(1)(g).
- The Sister Islands Affordable Housing Development Corporation's (SIAHDC) Board met on 18 February 2022. Only three out of seven voting directors attended that meeting. This contravenes section 17(1)(g) of the PAA, which requires the quorum of a board to be a simple majority of the board members who are entitled to vote. Therefore, this Board meeting lacked the required quorum.

GOODS AND SERVICES ARE NOT ALWAYS PROCURED IN LINE WITH THE PROCUREMENT ACT AND REGULATIONS

27. Public bodies must comply with the *Procurement Act (2016)* provisions in all procurement transactions. It was disappointing to note many instances of non-compliance with the Procurement Act and Regulations by public bodies. Examples of the cases of non-compliance that were noted are listed below.

LACK OF PUBLIC PROCUREMENT COMMITTEE (PPC) APPROVAL

28. The Procurement Regulations (3) (b) require an entity to submit to the Public Procurement Committee (PPC) for approval a written business case for procurement projects whose value is greater than \$250k. However, through the 2022 audits, we noted the following:

- The Ministry of Education (MOE) awarded a janitorial contract for \$330k without obtaining the required PPC approval.
- The NRA awarded two contracts for \$264k and \$480k without the required PPC approval. In addition, on another contract, the NRA purchased equipment for \$672k, in excess of the \$600k approved by the PPC.
- The PACI procured janitorial services for \$330k without obtaining the required PPC approval.
- MFSC paid \$2.6 million to a vendor for various computer services. The contract with this vendor was signed more than 12 years ago. There is no evidence of subsequent tendering or PPC approval for this contract. In addition, MFSC has paid US\$180k per annum to another vendor for legal consultancy services since 2019. Since the inception of this contract in October 2019, about \$491k has been paid to this vendor without approval from the PPC.
- The Maritime Authority of the Cayman Islands (MACI) directly awarded contracts of \$2.4 million to surveyors and independent contractors without PPC approval.
- MHA purchased various goods and services with a value greater than \$250k without the required PPC approval. These include the communication tower for \$930k, inmates' meals for \$739k and maintenance of security cameras for \$265k. In addition, motor vehicles worth \$130k were purchased without following a competitive procurement process.

NO TENDERING

29. The Procurement Regulations (3) (b) requires an entity to submit, for approval, a written business case for procurement projects whose value is greater than \$100k. However, we noted the following:

- The Cabinet Office (CO) did not provide evidence that a procurement contract directly awarded to a vendor for \$103k had been reviewed by the Entity Procurement Committee (EPC) and the Chief Officer.

- The Ministry of Youth, Sports, Culture & Heritage (MYSCH) procured services without going through the required tendering process per the Procurement Act. The contracts noted were for Maintenance and Security services for \$568k and \$200k, respectively.
- The Cayman National Cultural Foundation (CNCF) awarded a contract for renovation works valued at \$185k without the business case approval by the EPC and the Managing Director.

PUBLIC MANAGEMENT FINANCE ACT – SUPPLEMENTARY APPROPRIATION BILLS

30. If a Supplementary Appropriation Bill is required to increase the budget and thus authorise financial transactions, then PMFA requires that such a bill has to be introduced in Parliament by the 31 March of the year following the financial year to which those transactions relate. The Supplementary Appropriation Bill was not introduced in Parliament by 31 March 2023 as required by the Act. As noted later in this report, I included EOM paragraphs concerning this on the audit opinions of six public bodies.

NOTICES OF INTEREST ARE NOT ALWAYS DISCLOSED TO MANAGE POTENTIAL CONFLICTS

31. The *Standards in Public Life Act 2014*, section 11, requires a person in public life to declare their financial interests at least once annually. I also requested that senior management and board members submit their declaration of interest to my Office covering the entire financial year. These would be used to identify any related parties and the resulting related party transactions. Some senior management personnel or board members did not declare their financial interests for the 2022 financial year. PACI, SIAHDC, CIDB, CIP and TAB had missing declaration of interest forms. This means related party transactions and conflicts of interest could have gone undetected.

SIGNIFICANT INCREASE IN BOARD FEES PAID BY SOME SAGCS

32. I noted a significant increase in the total directors' fees paid by some SAGCs. Exhibit 2 compares the 2022 board fees against those from 2021 for SAGCs, whose board fees increased significantly compared to the prior year. It shows the SAGCs whose fees increased by more than 50 per cent from the previous year.

Exhibit 2: Directors fees paid by some SAGCs from 2021 to 2022

Public Body	31-Dec-21	31-Dec-22	Percentage change
Cayman Islands Development Bank	3,950	111,000	2,710%
Port Authority of the Cayman Islands	31,038	127,808	312%
University College of the Cayman Islands	63,784	195,236	206%
Maritime Authority of the Cayman Islands	12,599	34,181	171%
Cayman Islands National Insurance Company	60,250	156,806	160%
Cayman Islands Stock Exchange	60,000	144,000	140%
Utility Regulation and Competition Office	103,273	175,538	70%

Source: Financial Statements for the respective public bodies

Note: We have only included those that increased by more than 50 per cent

SHIFTING OF ENTITY TRANSACTIONS TO THE EXECUTIVE

33. I noted instances where entity expenditure has been moved from the “entity” to the “executive”. Entity income and expenditure is subject to our entity financial audits, and transparency is obtained through the annual reports, including the audited financial statements being laid in Parliament. Executive-related expenditure has far less public transparency as it is consolidated into the EPS account along with all 46 entities and the OAG’s finances, meaning it is difficult to see the level of detail you would have if it was still in the “entity” accounts. For example, in 2022, the responsibility for the financial oversight of the Pirates Week Festival was transferred from the CNCF to a Pirates Week Committee. In doing so, the expenditure and income moved from “entity” in CNCF to “Executive” in MYSCH. Total expenditure relating to the Pirates Week Festival for the 2022 financial year amounted to \$522k. Cabinet also authorised the reallocation of \$22k of the Ministry of Sustainability and Climate Resilience’s (MSCR) approved budget to the executive.

MATTERS HIGHLIGHTED THROUGH THE ‘EMPHASIS OF MATTER’ AND ‘OTHER MATTER’ PARAGRAPHS IN THE 2022 AUDIT OPINIONS

34. Although all audit opinions issued for the 2022 financial year were unqualified, I have included ‘emphasis of matter’ (EOM) or ‘other matter’ (OM) paragraphs on the audit opinions for 12 public bodies. I believe the matters highlighted in these paragraphs are significant, and I have brought them to the attention of the users of the financial statements. Exhibit 3 summarises the significant issues raised as ‘emphasis of matter’ or ‘other matter’ in 2022.

Exhibit 3: Significant issues raised as ‘emphasis of matter’ and ‘other matter’ paragraphs in 2022 audit opinions

Public Body	Non-compliance with Public Management and Finance Act S11 & S12	Non-compliance with Public Authorities Act S47	Going concern- Net liability position	Unmet Objectives	Going concern - Heavy reliance on Central Government Support	Impairment of loan balances
MDAL	✓					
MIISD	✓					
MTT	✓					
HSA						
CAL			✓			
MHA	✓					
MSCR	✓					
CNCF	✓					
CIMA		✓				
PACI		✓				
SIAHDC				✓		
CIDB					✓	✓

Note: Please refer to the list of abbreviations at the beginning of this report.

35. As mentioned in paragraph 30, several bodies obtained additional funding during the 2022 financial year. However, a Supplementary Appropriation Bill for the additional funding was not introduced in Parliament by 31 March 2023 as required by Sections 11 (6) and 12 (3) of the PMFA. I highlighted this matter in the audit opinions of the following public bodies: Ministry of District Administration Lands (MDAL), Ministry of Investment, Innovation and Social Development (MIISD), Ministry of Tourism and Transport (MTT), MHA, MSCR and CNCF.
36. Section 47 of the PAA requires SAGCs to standardise their salaries and benefits effective 1 June 2019. As mentioned in paragraphs 19 to 21 and recommendation 1, CIMA, CAA and PACI have yet to complete the standardisation process and are not compliant. In 2021, I highlighted a similar non-compliance for four SAGCs.
37. I have highlighted in previous audit opinions for the four years 2018 to 2021 that two entities had a net liability position. This situation improved in 2022. HSA reported an equity position of \$41.6 million in 2022 compared to a net equity deficit of \$8.1 million in 2021. HSA’s position improved mainly due to the remeasurement gain of the defined benefit healthcare and pension plans of \$55.0 million. I also highlighted the net liability position reported by CAL of \$29.7 million in 2022. CAL depends significantly on the Government’s financial support to enable it to continue as a going concern and meet its obligations as they fall due.
38. I have highlighted that SIAHDC has yet to meet its objectives of building or selling houses for the past three years, from 2019 to 2021. This situation continued in 2022 as SIAHDC did not build or

sell any houses contrary to its primary objective: to promote affordable home ownership for the Caymanian public in the Sister Islands. Therefore, it did not manage to meet its objectives during the year. For the past two years, I have recommended that the Government consider the need for SIAHDC to continue as a separate entity, given that NHDT provides the same functions for Grand Cayman. Consequently, I repeat this recommendation.

Recommendation 3: The Government should consider if the Sister Islands Affordable Housing Development Corporation needs to continue as a separate entity, given the lack of value provided to the public.

39. Although most SAGCs have some financial backing from the central government, CIDB relies significantly on financial support from central government, which is cause for concern. Like the past four years, from 2018 to 2021, CIDB's ability to meet its obligations and sustain its operating expenses still significantly relies on this continued government support. In addition, as of 31 December 2022, CIDB's impaired loans amounted to \$5.9 million, representing 26 per cent of its overall loan portfolio, excluding allowances for credit losses. Furthermore, CIDB received \$4.5 million in contributed capital from the Government during 2022. Without this ongoing support, CIDB may not be able to continue to operate as a going concern.

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

OVERVIEW

40. The outcomes from the audits conducted by my Office for the year ended 31 December 2022 are generally good but can be improved. There has been a decline in the timeliness of submitting the annual financial reports by public bodies to my Office for audit. Although the outcomes have generally been good, as reported in the previous chapter, the quality of financial information submitted to my Office by public bodies has not improved.
41. As of the date of this report, 40 audits have been completed for the 2022 financial year.⁴ Seven public bodies' (including EPS) audits for the 2022 financial year are ongoing or backlogged. A further four audits for 2021, three for 2020, two for 2019 and one audit for 2018 are outstanding. Exhibit 4 shows the 17 backlog audits as of 30 September 2023.

Exhibit 4: Outstanding audits as of 30 September 2023

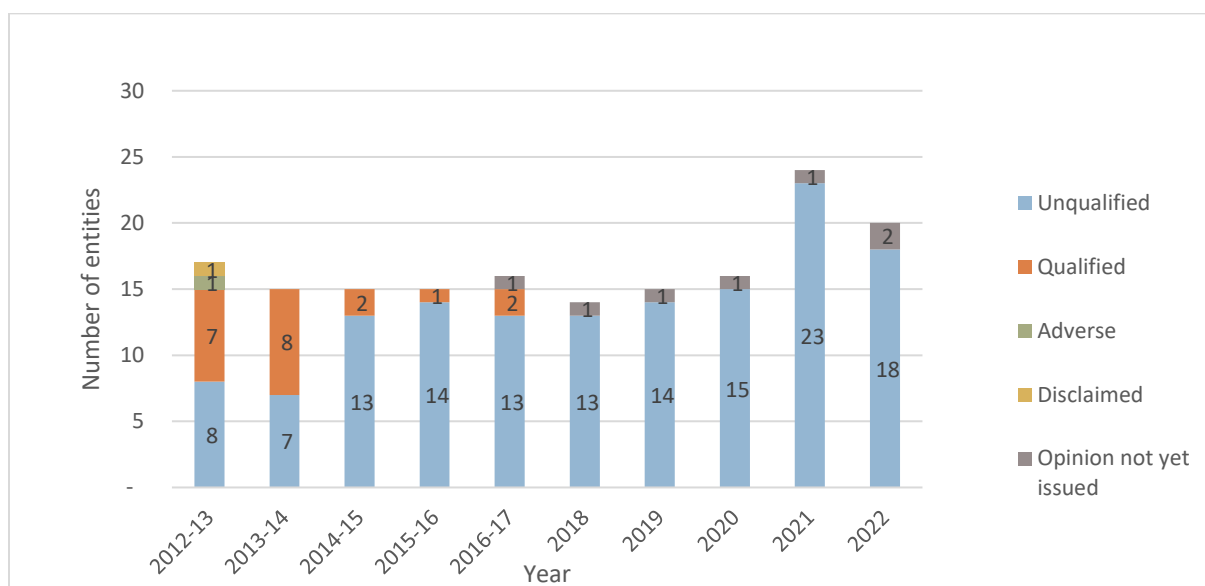
Public Body	Year(s) Outstanding				
	2022	2021	2020	2019	2018
Ministry of Health and Wellness	✓	✓	✓	✓	✓
Cayman Islands Airport Authority	✓	✓	✓	✓	
Entire Public Sector	✓	✓	✓		
Cayman Turtle Conservation and Education Center Limited	✓	✓			
Ministry of Planning, Agriculture, Housing and Infrastructure	✓				
National Housing Development Trust	✓				
University College of the Cayman Islands	✓				
TOTAL	7	4	3	2	1

⁴ The OAG's financial statements for 2022 were submitted and audited by the respective statutory deadlines and received an unqualified audit opinion. The OAG's Annual Report for 2022 was tabled in the Parliament by 30 September 2023 (the cut-off date for this report). All figures reported exclude the OAG.

AUDIT OPINIONS ISSUED

42. I issued unqualified opinions for all completed audits for the 31 December 2022 financial year. To date, I have issued 40 unqualified audit opinions
43. Appendix A contains further information on the status of the 2022 audits. The appendix includes information about the type of audit opinion issued when I signed the financial statements and the date these were tabled in Parliament. The appendix also contains information for the prior years and the financial period from 2018 to 2021 for trend and comparison purposes.
44. Exhibit 5 shows the number and types of audit opinions that my Office has issued for core government entities in the ten years 2012–13 to 2022. It shows significant improvement in the audit opinions issued over the ten years, with notable improvement starting from the 2014–15 financial year. It is also worth noting that for the past five years, beginning in 2018, no core government entity has been issued with a qualified audit opinion to date (noting the Ministry of Health and Wellness is outstanding back to 2018).

Exhibit 5: Core government entities’ audit opinions, 2012–13 to 2022



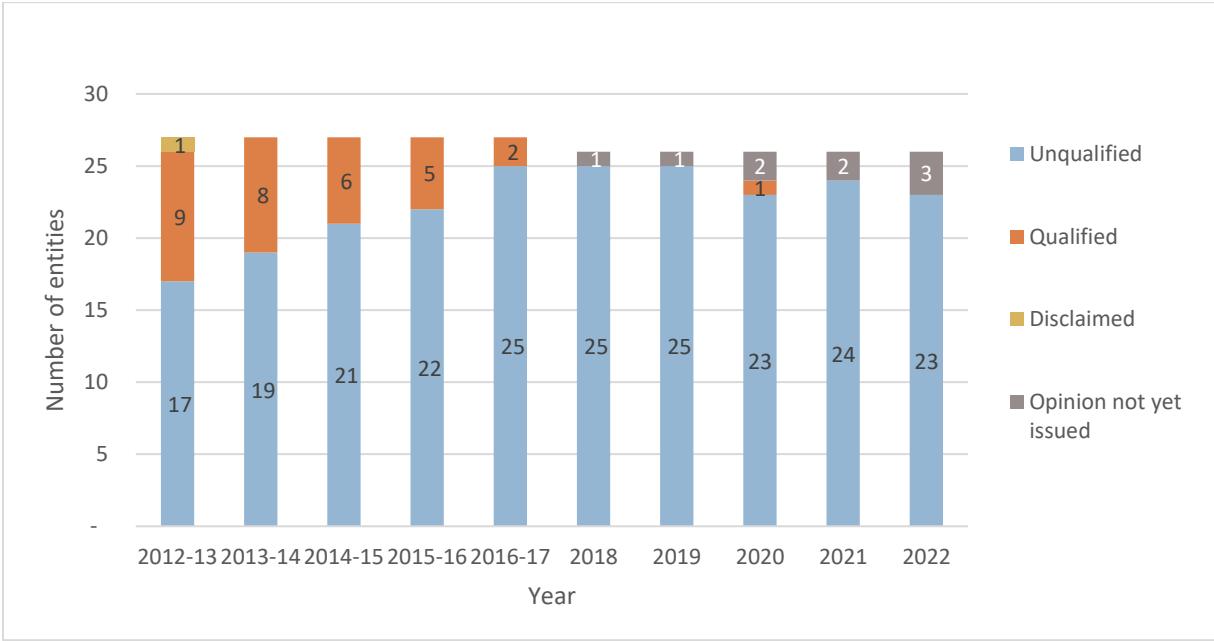
Notes:

1. The number of core government entities, excluding OAG, increased from 14 to 20 over the ten years. The number has also fluctuated over the years due to various government reorganisations.
2. The audits of MPAHI 2022 and MHW for 2018, 2019, 2020, 2021 and 2022 are ongoing at the time of this report.
3. The exhibit excludes the EPS and OAG audits.

45. Exhibit 6 shows the number and types of audit opinions my Office issued for SAGCs from 2012–13 to 2022. It shows a gradual improvement year-on-year to 2016-17, after which the situation has remained relatively constant. It also shows that the number of qualified audit opinions decreased from nine in 2012-13 to none in 2018. Since then, I have only issued one qualified

opinion in 2020. All my audit opinions issued to date for SAGCs for the 2022 financial year were unqualified. Similarly, for the 2021 audits, all audit opinions issued for SAGCs were unqualified, while 96 per cent were unqualified in 2020.

Exhibit 6: SAGCs’ audit opinions, 2012-13 to 2022



THE QUALITY OF ENTIRE PUBLIC SECTOR (EPS) FINANCIAL INFORMATION NEEDS TO IMPROVE

46. The Entire Public Sector (EPS) account consolidates the financial statements of all core government, statutory authorities, and government companies (SAGCs). The 2022 financial year comprised 47 public bodies (including the OAG) (50 in 2021). As reported earlier, the 2020, 2021 and 2022 EPS audits are still ongoing, while the audits for the past three financial years and financial periods from 2016-17 to 2019 received adverse opinions. I am finalising the 2020 audit, and an adverse opinion will be issued due to various issues affecting the consolidated financial statements. Below, I discuss some reasons that led to the adverse opinion.

47. **Exclusion of the Public Service Pensions Board balances and transactions from consolidation.** The assets of the subsidiary Public Service Pensions Board (“Pensions Board”) are being held in trust and are not subject to the Government’s control as defined by IPSAS35 – Consolidated Financial Statements. However, the consolidated financial statements exclude material administrative transactions and balances including cash, receivables and liabilities over which the Government does have control. Therefore, all of the pension board’s administrative transactions and balances should be consolidated in these financial statements in accordance with IPSAS 35. As a result of these omissions, the consolidated financial statements are understated as of 31 December 2020.

48. **Pervasive inaccuracies arising from subsequent adjustments in subsidiaries, elimination on consolidation and opening balance.** At the date of the audit opinion, three public bodies' audits were in progress. In addition, material adjustments had not been posted to the completed entity audits or eliminated from the consolidation. Likely, the net impact of these amounts could materially affect figures and disclosures in the consolidated financial statements.
49. **Completeness of revaluation, inconsistent accounting policies and poor controls over property, plant and equipment.** Management did not provide a complete valuation to support their valuation of the road network amount of \$366.5 million. This amount relates to infrastructure, roads, and sidewalks, as disclosed in the consolidated financial statements. A material difference of \$80.2 million exists in the infrastructure, roads, and sidewalks reported on the financial statements compared to the amounts on the valuation report provided.
50. Furthermore, the accounting policies for the SAGCs' land and buildings must be more consistent with the central government entities. *IPSAS 35 – Consolidated Financial Statements* require consistent accounting policies within the consolidation. Therefore, the consolidated amounts for property, plant and equipment are materially misstated due to the lack of revalued carrying amounts for certain classes of property, plant and equipment owned by SAGCs. The total carrying amount of these SAGC assets is \$29.4 million. As a result of the matters identified, the property, plant, and equipment balance reported in the consolidated financial statements is materially misstated as of 31 December 2020.
51. **Inaccuracy of depreciation and amortisation expenses.** The depreciation and amortisation expense amounting to \$64.8 million recorded in the statement of financial performance is materially misstated due to the valuation and completeness issues affecting property, plant, and equipment, as discussed in paragraphs 49 and 50.
52. **Understatement of retirement benefits liabilities.** The Government did not record liabilities relating to its post-retirement healthcare programme. The health care liability actuarial valuation results for core government estimated the post-retirement health care net liability to be \$2.4 billion, post-retirement medical expenses of \$148.4 million and other comprehensive income of \$34.9 million. Based on the above, the total current and non-current retirement benefits of \$906.8 million, as reported, are materially misstated as of 31 December 2020.
53. **Completeness of provisions.** Management represented that there is no process to access and account for its environmental liabilities. Therefore, I did not receive sufficient, appropriate audit evidence to conclude the completeness of the provisions and contingent liability disclosures related to these liabilities for the year ending 31 December 2020. Furthermore, I identified a material omission of environmental remediation provisions amounting to \$24.4 million. As a result, the provisions of \$15.7 million, as reported in the financial position statement, are materially misstated as of 31 December 2020.

54. **Understatement of personnel costs.** The personnel costs amounting to \$614.8 million reported in the statement of financial performance are materially misstated due to the understatement of post-retirement healthcare and post-retirement pension liabilities.
55. **Incompleteness of revenue, receivables and unearned revenue.** Due to poor controls, management could not provide sufficient, appropriate audit evidence or assert its coercive revenue's completeness. I have not been able to conclude on the fairness of the amount reported as coercive revenues of \$741.9 million on the statement of financial performance for the year ended 31 December 2020. Additionally, sales of goods and services amounting to \$218.9 million, as reported in the statement of financial performance, are materially misstated due to unadjusted differences of \$40.6 million. As a result of the revenue incompleteness, I could not conclude on the related current and non-current trade receivables balances of \$38.3 million, other receivables of \$18.3 million, and unearned revenues of \$83.7 million reported on the statement of financial position as at 31 December 2020.
56. **Inaccuracy of net worth.** The revaluation reserve of \$640.8 million reported in the statement of financial position is materially misstated due to the valuation and completeness issues affecting property, plant and equipment. Likewise, the current and accumulated surpluses amounting to \$123.9 million and \$677.2 million, respectively, are materially misstated due to the abovementioned qualifications.
57. **Statement of cash flows needs to be more fairly presented.** I could not conclude the fairness of the amounts reported in the Statement of Cash Flows due to the abovementioned matters affecting the pervasive inaccuracies in the opening balances of the consolidated financial statements.
58. **Omissions in financial statement disclosures.** The consolidated financial statements have omitted several disclosures required by the accounting standards. These include but are not limited to the following:
- The Government has not established a system for reporting key management personnel transactions as required by *IPSAS 20, Related Party Disclosures*. As a result, I do not opine on the accuracy of related party balances. IPSAS 20 requires the disclosure of remuneration and benefits earned by key management personnel. As a result of the above non-disclosure, the public does not know what is spent on Members of Parliament (MP) salaries and benefits.
 - The consolidated financial statement does not include all the required *IPSAS 39 Employee Benefits* disclosures. For example, the \$2.4 billion liability about the post-retirement medical benefits was not reported on the Statement of Financial Position.
 - The consolidated financial statement does not include all the required disclosures of *IPSAS 24 Presentation of Budget Information in Financial Statements*. IPSAS 24 requires disclosing original and final budget amounts, explaining changes between the original and

final budget, and explaining material variances between budget and actual amounts. The EPS financial statements did not include these disclosures as per the requirements.

59. I have commented and made recommendations on these issues in previous General Reports and in my May 2021 performance audit report, *Improving Financial Accountability and Transparency: Financial Management and Reporting*. I have recommended that MFED develop and implement an action plan to improve the quality of the entire public sector's consolidated financial statements. MFED committed to having a plan by the end of June 2022 and shared the plan with my Office in October 2022. The action plan included actions that would address most of the issues, some due to be resolved between December 2022 and June 2023. MFED indicated at the Public Accounts Committee (PAC) hearing in July 2023 that they had begun implementing some action plans. However, no indication had been made regarding when a qualified and eventually an unqualified opinion would be achieved.

Recommendation 4: The Ministry of Finance and Economic Development should continue to implement the corrective action plan and resolve all qualification points to improve the quality of the entire public sector's (EPS) consolidated financial statements. This will move the EPS account towards the desired unqualified audit opinion.

TIMELINESS OF FINANCIAL STATEMENTS AND ANNUAL REPORTS SUBMISSION

60. Financial information must be promptly accessible to key stakeholders and the general public. The availability of financial information is crucial, as stakeholders should use the information for accountability and decision-making purposes.
61. For the 2022 reporting period, 44 of the 46 (excluding EPS) public bodies submitted their financial statement by the statutory deadline of 28 February 2023. The Segregated Insurance Fund (SIF) and PSPB did not submit their 2022 financial statements on time. However, this is an improvement compared to 2021, when four public bodies submitted financial statements after the statutory deadline. Regarding annual reports, 40 of the 46 public bodies submitted by the deadline. This is also an improvement on 2021, when 11 public bodies missed the statutory deadline.
62. The usefulness of financial statements is only improved if the information is made available to users within a reasonable time. The IPSAS requires public bodies to issue their financial statements within six months of the reporting date. The PMFA requires public bodies to submit their annual report containing the respective financial statements to my Office within two months after the year-end, i.e. by the end of February each year. My Office must audit the financial statements within two months, i.e., by 30 April each year.
63. My Office and the contracted firms working on my behalf completed audits for 35 of the 46 (excluding EPS) (76%) public bodies by the statutory deadline of 30 April 2023. These results

show an improvement on the past five reporting periods except for 2020, when we completed 81% by the statutory deadline. Looking at the previous five years, 33 audits were completed by the statutory deadline for 2021, 34 for 2020, 27 for 2019, 24 for 2018, and 25 for 2016–17. My Office completed 19 out of 33 in-house audits of the 2022 audits by 30 April 2023. I did not commence the MHW, CIAA, CTC and EPS 2022 audits, as their prior years’ audits were ongoing and incomplete. Private firms undertook three audits that did not achieve the completion deadline for the 2022 reporting period. This result is similar to 2021 when three out of 15 did not meet the deadline. Exhibit 7 shows the completion of the 2022 audits (excluding EPS).

Exhibit 7: Completion of the 2022 entity audits

Date audit was completed by	Number of audits	Percentage	Cumulative percentage of completed audits
Completed by 30 April 2023	35	76%	76%
Additional audits completed by the issuance of this report (September 2023)	5	11%	87%
In-progress (see Exhibit 4)	6	13%	
Total	46		

64. The timeliness of submitting financial statements and completing audits is now reasonably good. However, the timeliness of the submissions of annual reports to my Office for review continues to be an area of concern. My Office consistently receives annual reports after the statutory deadline.

TABLING OF ANNUAL REPORTS AND FINANCIAL STATEMENTS

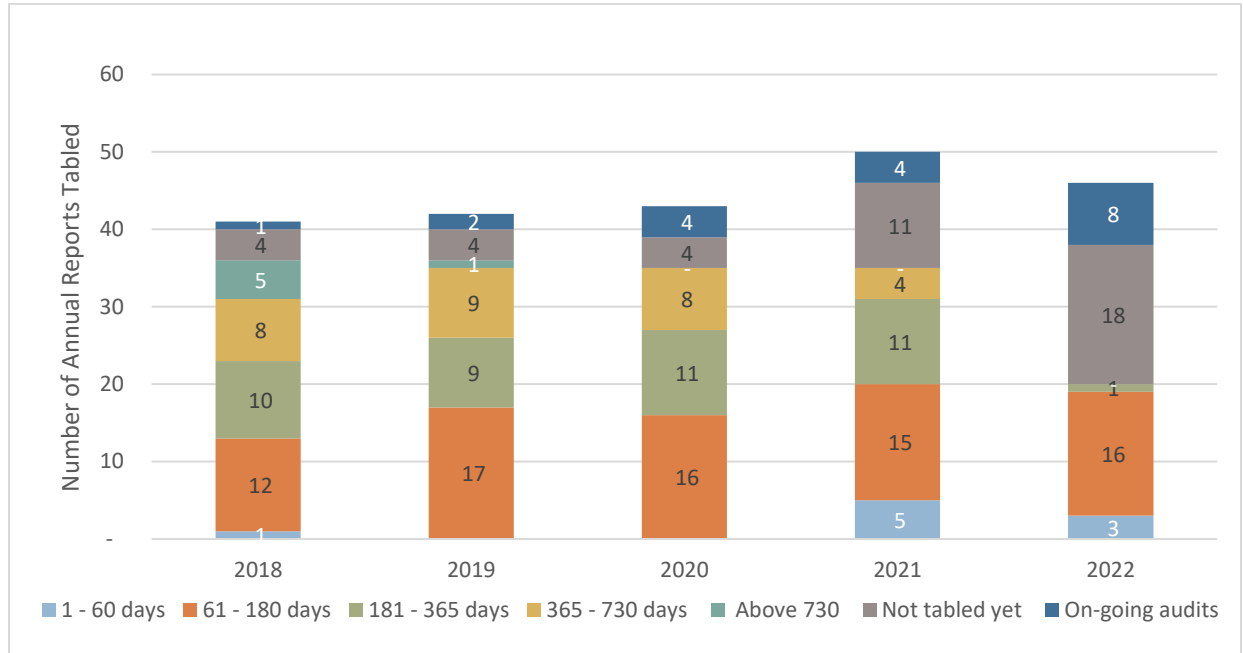
65. Annual reports enable stakeholders, legislators and citizens to understand how public bodies have used public resources and to hold the Government and public bodies accountable. In previous General Reports, I highlighted the importance of preparing annual reports by public bodies and, more importantly, tabling them in Parliament on time to ensure proper accountability. As noted earlier in this report, the number of public bodies preparing annual reports has increased considerably. However, the timeliness of these reports reaching Parliament is still a matter of concern.

66. Public bodies are required under the PMFA to lay their annual report, containing the financial statements and audit opinion, in Parliament via the Cabinet within five months after the end of the year, i.e. 31 May. This is a pivotal step that completes the accountability chain. Despite recent improvements, there needs to be more timely tabling of the financial statements and the associated annual reports in Parliament.

67. As in previous General Reports, we have analysed the timeliness of tabling annual reports in Parliament. Exhibit 8 shows the trend in the timeliness of tabling the 2018 to 2022 annual

reports. It shows the number of days between the sign-off of the audit opinion and the tabling of the annual report, including financial statements, in Parliament.

Exhibit 8: Tabling of 2018 to 2022 Annual Reports



*Notes: Annual Reports and Financial Statements tabled as of 30 September 2023. The numbers above include the Annual Report for the EPS but exclude the OAG.
Source: Parliament Order Papers.*

- 68. Between 2018 and 2022, 203 audits have been completed and 162 (80%) annual reports (or financial statements) have been tabled. However, I remain concerned about the significant time it took for many of these reports to reach Parliament and the number of annual reports that have yet to be tabled.
- 69. 27 of the 41 reports not yet tabled relate to the 2022 financial year. As of 30 September 2023, only 19 public bodies had managed to lay their annual reports for 2022 before Parliament. This is disappointing as we had completed the audits of 35 public bodies by 30 April 2023. A further five audits were completed by the time of publication of this report. Of the 40 audits completed for 2022, 19 annual reports (48%) have been tabled. For 2022, three were tabled within two months of audit completion. This is fewer than for the 2021 year, when five annual reports were tabled within two months.
- 70. A total of 118 (tabled and still to be tabled) out of 203 (completed audits) annual reports took over six months from audit completion to be tabled. For example, it took 61 to 365 days for 30 annual reports for 2021 to be tabled. As of 30 September 2023, 41 annual reports had not been tabled, of which 23 were beyond six months of their audit completion dates.

71. Exhibit 9 shows the number of annual reports tabled annually and the financial period that the report relates to. For 2020-2022, an average of 44 annual reports were laid in Parliament each year. As of 30 September 2023, only 28 annual reports had been tabled in the current year.

Exhibit 9: Number of Annual Reports Tabled Annually, 2019 to 2022

	2019	2020	2021	2022	2023
2015-16 Annual reports	7	2	-	-	-
2016-17 Annual reports	13	9	3	-	-
2018 Annual reports	16	11	6	2	1
2019 Annual reports	-	22	12	1	1
2020 Annual reports	-	-	23	11	1
2021 Annual reports	-	-	-	30	6
2022 Annual reports	-	-	-	-	19
Total	36	44	44	44	28

Notes: Annual Reports and Financial Statements tabled as of 30 September 2023.

Source: Order Papers from the Parliament website.

72. Delays in annual report tabling may significantly impair public sector accountability. Key stakeholders and the wider public are not receiving information on entities’ operations on time, which reduces the relevance of these reports in decision-making.

CHANGES IN REPORTING STANDARDS

73. During the 2022 financial year, several financial reporting standards were published, and others were amended, which had various implications for many public bodies. My Office worked closely with and assessed the work produced by affected public bodies and was satisfied that the financial data and disclosures were fairly stated. Several changes to accounting standards are planned and coming into effect in the coming few years, which will significantly impact the various public bodies. For example, two new IPSAS standards and one IFRS amendment came into force on 1 January 2023. Public bodies must consider and account for these in the year ahead. Appendix G details these new, revised and upcoming accounting standards.

Recommendation 5: The Government should ensure that public bodies actively prepare themselves for these upcoming changes in International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS). In particular:

(a) For the 2023 financial year, public bodies should specifically consider the impact of IPSAS 41 and 42 and IFRS 17.

(b) Public bodies should start considering the impact of upcoming changes for future years.

CONCLUSION & RECOMMENDATIONS

74. This report summarises our audits of Ministries, Portfolios, Offices, Statutory Authorities, and Government Companies of the Cayman Islands Government for 2022.
75. The quality of financial reporting is generally good but can be improved. All audit opinions issued so far for 2022 are unqualified. However, the number and monetary value of audit adjustments noted in the 2022 audits are cause for concern. These adjustments mean that decisions and policies could be made based on inaccurate, unaudited financial information. Public bodies can also do more to ensure adequate disclosures relating to issues such as severance payments, subsequent events, commitments and budget variance explanations.
76. I am concerned about the extent of non-compliance with Acts and regulations, specifically in relation to procurement and the *Public Authorities Act*. The *Procurement Act* was brought into force to improve public sector procurement and better demonstrate value for money. The Central Procurement Office has developed significant guidance and provides advice. However, despite this, many public bodies are not complying with the legislation or complying with the guidance. The *Public Authorities Act* was introduced to improve governance and align SAGCs with the civil service. However, a key section of this Act (section 47) has not been fully implemented or implemented consistently three years after it was brought into force, resulting in inequality across the public sector.
77. In paragraph 21, I recommend that the Cayman Islands Monetary Authority, the Civil Aviation Authority and the Port Authority of the Cayman Islands urgently complete the *Public Authorities Act* section 47 implementation to comply with the Act.
78. In paragraph 25, I recommend that the Government needs to consider the financial implications of the *Public Authorities Act* section 47 before further implementing it.
79. Although most public bodies prepare annual reports, tabling these reports in Parliament is still a cause for concern. The tabling and publication of annual reports are crucial for effective accountability and transparency. Tabling annual reports is a requirement of the PMFA, and by not doing this, financial accountability to key stakeholders is significantly reduced. Despite progress in tabling annual reports in previous years, it is disappointing that only 19 out of 40 audits completed for 2022 laid their annual reports. Parliament should sit more frequently to enable the tabling of annual reports or find a mechanism to enable this to happen when Parliament is not sitting as some other countries do.

80. In paragraph 38, I recommend the Government consider the necessity of the Sister Islands Affordable Housing Development Corporation continuing as a separate entity given the lack of value provided to the Caymanian public. No houses have been built or sold in the last two years, yet the costs of maintaining the entity structure, including performing a full audit, continue.
81. The EPS account continues to receive adverse audit opinions year-on-year. My Office is finalising the 2020 audit and the opinion will be adverse. The government must focus on this account. I recommended in paragraph 59 that the Ministry of Finance and Economic Development continue to implement the corrective action plan and resolve all qualification points to improve the quality of the entire public sector's (EPS) consolidated financial statements. This will move the EPS account towards the desired unqualified audit opinion.
82. In paragraph 73, I recommend that public bodies take active steps to prepare themselves for these upcoming changes in International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS).
83. I repeat my gratitude to all our clients, particularly their finance teams, my OAG staff and our partners at the firms for their hard work and focus. It is due to their efforts that the 2022 financial statements, financial audits and this report has been completed and the many improvements made. While there is always work to do to improve upon what went before we should not lose sight of the vast improvements that have been made over time to Cayman's public services financial management and reporting.



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

23rd October 2023

APPENDIX A – STATUS OF AUDITS: 2018 TO 2022

Ministries, Portfolios and Offices	2018			2019			2020			2021			2022		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament
Cabinet Office	23-Apr-19	Unqualified with Emphasis of Matter	26-Jul-19	24-Apr-20	Unqualified		28-Apr-21	Unqualified		30-Apr-22	Unqualified with Emphasis of Matter		29-Apr-23	Unqualified	
Office of the Director of Public Prosecutions	30-Apr-19	Unqualified	14-Nov-19	30-Apr-20	Unqualified	7-Dec-20	30-Apr-21	Unqualified	15-Jul-21	29-Apr-22	Unqualified	10-Jun-22	30-Apr-23	Unqualified	19-Sep-23
Judicial Administration	30-Apr-19	Unqualified		30-Apr-20	Unqualified		30-Apr-21	Unqualified		30-Apr-22	Unqualified with Emphasis of Matter		30-Apr-23	Unqualified	
Ministry of Planning, Agriculture, Housing and Infrastructure	29-Apr-19	Unqualified	31-Jan-20	30-Apr-20	Unqualified	14-Oct-20	22-Apr-21	Unqualified	15-Jul-21	30-Apr-22	Unqualified with Emphasis of Matter	7-Oct-22	In progress		
Ministry of Community Affairs	15-Apr-19	Unqualified	24-Jul-19	20-Apr-20	Unqualified	14-Jul-21	19-Apr-21	Unqualified	14-Jul-21	30-Jul-22	Unqualified with Emphasis of Matter	14-Dec-22	N/A		
Ministry of Tourism & Transport	25-Apr-19	Unqualified	13-Nov-19	30-Apr-20	Unqualified	29-Jul-20	9-Apr-21	Unqualified	8-Dec-21	29-Apr-22	Unqualified with Emphasis of Matter	7-Oct-22	30-Apr-23	Unqualified with Emphasis of Matter and Other Matter	21-Sep-23
Ministry of Education	18-Dec-19	Unqualified	10-Dec-20	21-Jul-20	Unqualified	10-Dec-20	21-Apr-21	Unqualified	15-Jul-21	28-Apr-22	Unqualified with Emphasis of Matter	7-Oct-22	27-Mar-23	Unqualified	7-Jun-23
Ministry of Border Control and Labour	30-Apr-19	Unqualified	30-Jan-20	3-Sep-20	Unqualified	21-Jul-21	23-Apr-21	Unqualified	21-Jul-21	20-Apr-22	Unqualified with Emphasis of Matter	27-Apr-23	30-Apr-23	Unqualified	19-Sep-23
Ministry of Finance and Economic Development	15-Mar-19	Unqualified	12-Apr-19	6-Mar-20	Unqualified	29-Jun-20	10-Mar-21	Unqualified	15-Jul-21	10-Mar-22	Unqualified	9-Jun-22	14-Mar-23	Unqualified	19-Sep-23
Ministry of Financial Services and Home Affairs	17-Apr-19	Unqualified with Emphasis of Matter	13-Nov-19	28-Apr-20	Unqualified	14-Oct-20	30-Jul-21	Unqualified	8-Jun-22	16-Nov-22	Unqualified with Emphasis of Matter		N/A		
Ministry of Health and Wellness	In progress			In progress			In progress			In progress			In progress		
Ministry of International Trade, Investment, Maritime & Aviation	N/A			30-Apr-20	Unqualified	11-Dec-20	19-Apr-21	Unqualified	14-Jul-21	29-Apr-22	Unqualified with Emphasis of Matter	14-Dec-22	N/A		

Ministries, Portfolios and Offices	2018			2019			2020			2021			2022		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament
Ministry of Sustainability and Climate Resilience	N/A			N/A			N/A			5-Aug-22	Unqualified with Emphasis of Matter	20-Sep-23	30-Apr-23	Unqualified	
Ministry of District Administration and Lands	N/A			N/A			N/A			7-Jul-22	Unqualified with Emphasis of Matter		30-Apr-23	Unqualified with Emphasis of Matter	
Ministry of Home Affairs	N/A			N/A			N/A			30-Aug-22	Unqualified with Emphasis of Matter		30-Apr-23	Unqualified with Emphasis of Matter	
Ministry of Youth, Sports, Culture and Heritage	N/A			N/A			N/A			30-Apr-22	Unqualified	14-Dec-22	17-Apr-23	Unqualified	19-Sep-23
Ministry of Financial Services and Commerce	N/A			N/A			N/A			17-Apr-23	Unqualified		30-Apr-23	Unqualified	
Ministry of Investment, Innovation and Social Development	N/A			N/A			N/A			In progress			30-Apr-23	Unqualified with Emphasis of Matter	8-Jun-23
Cayman Islands Parliament	N/A			N/A			N/A			26-Apr-22	Unqualified with Emphasis of Matter		9-Mar-23	Unqualified	
Office of the Ombudsman	30-Apr-19	Unqualified	13-Nov-19	30-Apr-20	Unqualified	29-Jul-20	30-Apr-21	Unqualified	14-Jul-21	27-Apr-22	Unqualified	7-Dec-22	30-Apr-23	Unqualified	20-Sep-23
Portfolio of Legal Affairs	30-Apr-19	Unqualified	14-Nov-19	30-Apr-20	Unqualified	14-Oct-20	30-Apr-21	Unqualified with Emphasis of Matter	15-Jul-21	30-Apr-22	Unqualified	7-Oct-22	30-Apr-23	Unqualified	20-Sep-23
Portfolio of the Civil Service	30-Apr-19	Unqualified		25-Apr-20	Unqualified	14-Oct-20	26-Apr-21	Unqualified	15-Jul-21	16-Apr-22	Unqualified with Emphasis of Matter	9-Jun-22	30-Apr-23	Unqualified	8-Jun-23
Office of the Commissioner of Police	N/A			N/A			13-Apr-21	Unqualified	10-Jun-22	31-Mar-22	Unqualified	10-Jun-22	31-Mar-23	Unqualified	8-Jun-23
Entire Public Sector	10-Aug-21	Adverse	8-Dec-22	5-Jul-22	Adverse		In progress			In progress			In progress		

Notes:

1. In January 2019, the Ministry of International Trade, Investment, Maritime and Aviation was established.
2. In January 2020, the Office of the Commissioner of Police was established.
3. In January 2021, the Cayman Islands Parliament was established.
4. The annual reports for the following entities for 2015-16 have not been tabled in Parliament: Cabinet Office (Audit completed: 28 February 2018), Ministry of Community Affairs (Audit completed: 15 September 2017) and Ministry of Health and Wellness (Audit completed: 3 August 2018)
5. The annual reports for the following entities for 2016-17 have not been tabled in Parliament: Ministry of Border Control and Labour (Audit completed: 30 April 2018) and Ministry of Health and Wellness (Audit completed: 16 December 2022)

SAGC	2018			2019			2020			2021			2022		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament
Auditors Oversight Authority	11-Mar-19	Unqualified	24-Jul-19	12-Mar-20	Unqualified	1-Jul-20	31-Mar-21	Unqualified	15-Jul-21	25-Mar-22	Unqualified	9-Jun-22	27-Mar-23	Unqualified	
Cayman Airways Ltd	18-Feb-20	Unqualified with Emphasis of Matter	8-Dec-21	4-Jun-21	Unqualified with Emphasis of Matter	8-Dec-21	14-Mar-22	Unqualified	14-Dec-22	26-Aug-22	Unqualified with Emphasis of Matter	14-Dec-22	30-Apr-23	Unqualified with Emphasis on Matter	20-Sep-23
Cayman Islands Airports Authority	3-Nov-22	Unqualified	27-Apr-23	In progress			In progress			In progress			In progress		
Cayman Islands Development Bank	2-Aug-19	Unqualified with Emphasis of Matter	5-Dec-19	20-Jul-20	Unqualified with Emphasis of Matter	15-Jul-21	28-Apr-21	Unqualified	8-Jun-22	29-Apr-22	Unqualified with Emphasis of Matter	8-Dec-22	30-Apr-23	Unqualified with Emphasis on Matter	20-Sep-23
Cayman Islands Monetary Authority	30-Apr-19	Unqualified	24-Jul-19	15-Sep-20	Unqualified with Emphasis of Matter	7-Dec-20	30-Apr-21	Unqualified	8-Dec-21	29-Apr-22	Unqualified with Emphasis of Matter	7-Oct-22	30-Apr-23	Unqualified with Emphasis on Matter	
Cayman Islands National Insurance Company	30-Sep-19	Unqualified	5-Dec-19	30-Apr-20	Unqualified with Emphasis of Matter	23-Oct-20	28-Apr-21	Unqualified	8-Dec-21	28-Apr-22	Unqualified	10-Jun-22	28-Apr-23	Unqualified	20-Sep-23
Cayman Islands National Museum	30-Apr-19	Unqualified with Emphasis of Matter	5-Dec-19	30-Apr-20	Unqualified	15-Jul-21	26-Apr-21	Unqualified	8-Dec-21	6-Apr-22	Unqualified	7-Dec-22	1-May-23	Unqualified	19-Sep-23

SAGC	2018			2019			2020			2021			2022		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament
Cayman Islands Stock Exchange	30-Apr-19	Unqualified	24-Jul-19	30-Apr-20	Unqualified	1-Jul-20	30-Apr-21	Unqualified	15-Jul-21	29-Apr-22	Unqualified	7-Oct-22	28-Apr-23	Unqualified	
Cayman National Cultural Foundation	29-Apr-19	Unqualified with Emphasis of Matter	9-Dec-20	22-Apr-20	Unqualified	8-Dec-21	29-Apr-21	Unqualified	8-Dec-21	13-May-22	Unqualified	7-Dec-22	28-Apr-23	Unqualified with Emphasis on Matter	19-Sep-23
Cayman Turtle Conservation and Education Center Limited	14-May-20	Unqualified with Emphasis of Matter	23-Oct-20	14-May-20	Unqualified with Emphasis of Matter and Other Matter	23-Oct-20	In progress			In progress			In progress		
Children & Youth Services Foundation	20-Jun-19	Unqualified		29-Jun-20	Unqualified	11-Dec-20	30-Apr-21	Unqualified	14-Jul-21	30-Apr-22	Unqualified	27-Apr-23	29-Apr-23	Unqualified	
Civil Aviation Authority	17-May-19	Unqualified with Emphasis of Matter	31-Jan-20	22-May-20	Unqualified	7-Dec-20	30-Apr-21	Unqualified	8-Jun-22	20-May-22	Unqualified	7-Oct-22	30-Apr-23	Unqualified	
Health Services Authority	30-Apr-19	Unqualified with Emphasis of Matter	9-Dec-20	30-Apr-20	Unqualified with Emphasis of Matter	14-Jul-21	30-Apr-21	Unqualified	8-Jun-22	30-Apr-22	Unqualified with Emphasis of Matter	7-Oct-22	30-Apr-23	Unqualified	

SAGC	2018			2019			2020			2021			2022		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament
Maritime Authority of the Cayman Islands	23-Aug-19	Unqualified	13-Jan-20	6-Aug-20	Unqualified	7-Dec-20	15-Dec-21	Unqualified	8-Jun-22	29-Jul-22	Unqualified	7-Oct-22	27-Sep-23	Unqualified	
National Drug Council	3-May-19	Unqualified with Emphasis of Matter and Other Matter	21-Jul-21	30-Apr-20	Unqualified	21-Jul-21	30-Apr-21	Unqualified	8-Jun-22	29-Apr-22	Unqualified		29-Apr-23	Unqualified	
National Gallery of the Cayman Islands	30-Apr-19	Unqualified with Emphasis of Matter and Other Matter	11-Dec-20	29-Apr-20	Unqualified	11-Dec-20	30-Apr-21	Unqualified	8-Dec-21	29-Apr-22	Unqualified with Other Matter	7-Dec-22	30-Apr-23	Unqualified	19-Sep-23
National Housing and Development Trust	2-Aug-19	Unqualified		4-Feb-21	Unqualified		30-Apr-21	Unqualified		30-Apr-22	Unqualified		In progress		
National Roads Authority	30-Apr-19	Unqualified with Emphasis of Matter	15-Jul-21	27-Apr-20	Unqualified with Emphasis of Matter	15-Jul-21	30-Apr-21	Unqualified	9-Jun-22	4-May-22	Unqualified with Emphasis of Matter		11-Apr-23	Unqualified	
Port Authority of the Cayman Islands	20-Sep-19	Unqualified	16-Oct-20	13-Nov-20	Unqualified with Emphasis of Matter	15-Jul-21	1-Apr-21	Unqualified	8-Dec-21	5-Apr-22	Unqualified	14-Dec-22	30-Apr-23	Unqualified with Emphasis on Matter	20-Sep-23

SAGC	2018			2019			2020			2021			2022		
	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament	Date Audit Completed or Progress	Audit Opinion	Tabled in the House of Parliament
Public Service Pensions Board	17-Apr-19	Unqualified with Emphasis of Matter	24-Jul-19	29-Apr-20	Unqualified with Emphasis of Matter	1-Jul-20	29-Apr-21	Unqualified	21-Jul-21	27-Jul-22	Unqualified	8-Dec-22	16-Aug-23	Unqualified	
Segregated Insurance Fund	21-Mar-19	Unqualified	14-Jul-21	13-Mar-20	Unqualified	14-Jul-21	1-Apr-21	Unqualified		13-Apr-22	Unqualified	9-Jun-22	11-Apr-23	Unqualified	
Sister Islands Affordable Housing Development Corporation	27-May-19	Unqualified	13-Nov-19	13-Mar-20	Unqualified	29-Jul-20	29-Mar-21	Unqualified	15-Jul-21	19-Apr-22	Unqualified with Emphasis of Matter	27-Apr-23	24-Apr-23	Unqualified with Emphasis of Matter	
Tourism Attractions Board	18-Apr-19	Unqualified	10-Jun-22	29-Apr-20	Unqualified	10-Jun-22	30-Apr-21	Unqualified	7-Dec-22	30-Apr-22	Unqualified with Emphasis of Matter	14-Dec-22	14-Apr-23	Unqualified	20-Sep-23
University College of the Cayman Islands	27-Jun-19	Unqualified	14-Jul-21	30-Apr-20	Unqualified	10-Dec-20	11-Oct-21	Qualified	8-Jun-22	30-Apr-22	Unqualified with Emphasis of Matter	14-Dec-22	In progress		
Utilities Regulation and Competition Office	30-Apr-19	Unqualified	14-Oct-20	21-Jul-21	Unqualified	27-Apr-23	30-Nov-21	Unqualified	27-Apr-23	30-Apr-22	Unqualified	8-Jun-23	20-Apr-23	Unqualified	
Water Authority of the Cayman Islands	27-Nov-19	Unqualified	14-Jul-21	30-Apr-20	Unqualified with Emphasis of Matter	14-Jul-21	29-Apr-21	Unqualified	8-Dec-21	30-Apr-22	Unqualified with Emphasis of Matter and Other Matter	7-Oct-22	9-Jun-23	Unqualified	

Notes:

- The annual reports for the following SAGCs for 2015-16 have not been tabled in Parliament: Children & Youth Services Foundation (Audit completed: 30 April 2018), National Housing and Development Trust (Audit completed: 30 April 2018).

APPENDIX B – FINANCIAL PERFORMANCE AND POSITION OF MINISTRIES, PORTFOLIOS AND OFFICES IN 2022

84. This appendix summarises the financial performance of all core government entities, i.e., Ministries, Portfolios and Offices. Budgetary information or the latest information submitted for audit has been used to allow comparative analysis for MHW and MPAHI, as their 2022 audits have not yet been completed.

85. I have also highlighted some control deficiencies and other significant findings noted while auditing these public bodies. A summary of control deficiencies is included in Appendix F, and further details can be found in the individual ISA 260 reports published on our website.

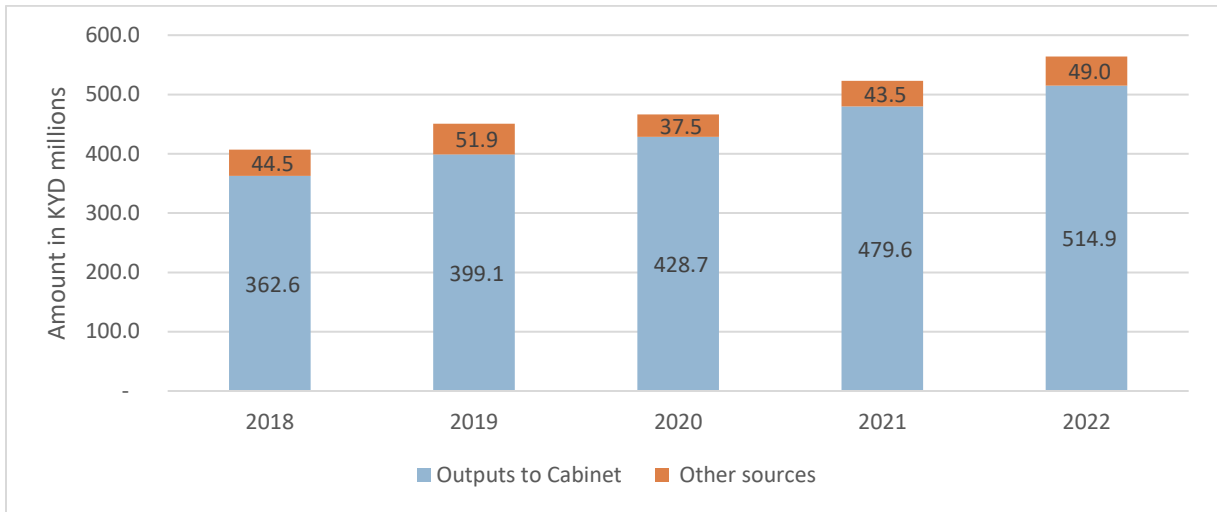
<http://www.auditorgeneral.gov.ky/annualauditreportsforindividualentities>

SUMMARY FINANCIAL ASSESSMENT - REVENUES

86. Ministries, Portfolios and Offices generate revenue by delivering goods and services on behalf of the Cabinet and collecting revenue from the resulting outputs. They also charge the public directly for goods and services not deemed coercive (i.e., fees, duties, etc.), collected on behalf of the Treasury and not retained by the respective core government entity.

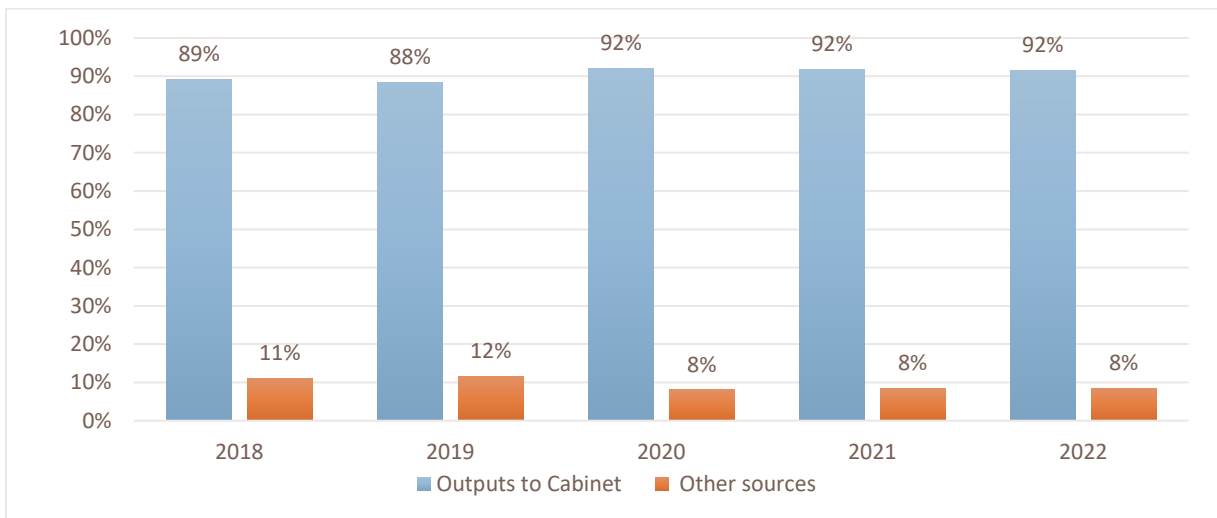
87. The revenue from Cabinet is, in essence, the recovery of the cost incurred by entities to provide the outputs on its behalf. This revenue is authorised through the appropriation process. Exhibit 10 shows that over the five years from 2018 to 2022, the total revenue generated from providing outputs to the Cabinet increased by 42% from \$362.6 million to \$514.9 million. Over the same period, total revenues, including revenue from other sources, increased by 38% from \$407.2 million to \$563.9 million.

Exhibit 10: Total revenues by source, Ministries, Portfolios and Offices, 2018 to 2022



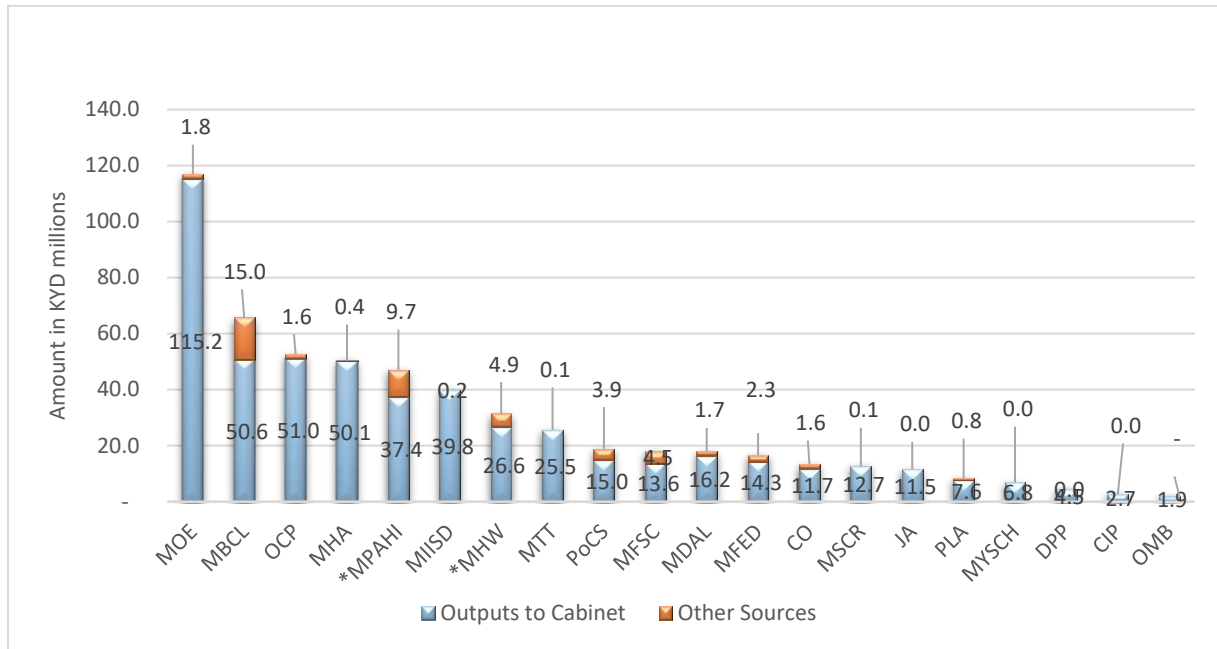
88. Exhibit 11 summarises Ministries, Portfolios, and Offices' total revenue by source as a percentage of total revenue from 2018 to 2022. Although there was an increase in revenue, the allocation source has remained relatively consistent over the same period, with approximately 90 per cent of total revenue from outputs to Cabinet; the remaining 10 per cent comes from other sources.

Exhibit 11: Total revenues by type (%), Ministries, Portfolios and Offices, 2018 to 2022



89. The most significant component of the revenue generated from the Cabinet is the recovery of payroll costs for civil servants employed by the respective core government entities to provide outputs. This is consistent with most governments, which are staff-driven, as a considerable portion of the programmes and activities of the Government are service-oriented. Exhibit 12 shows the total revenues earned and revenues by source for each of the Ministries, Portfolios and Offices for 2022, except for the OAG.

Exhibit 12: Total revenues by source, by Ministry, Portfolio and Office, 2022

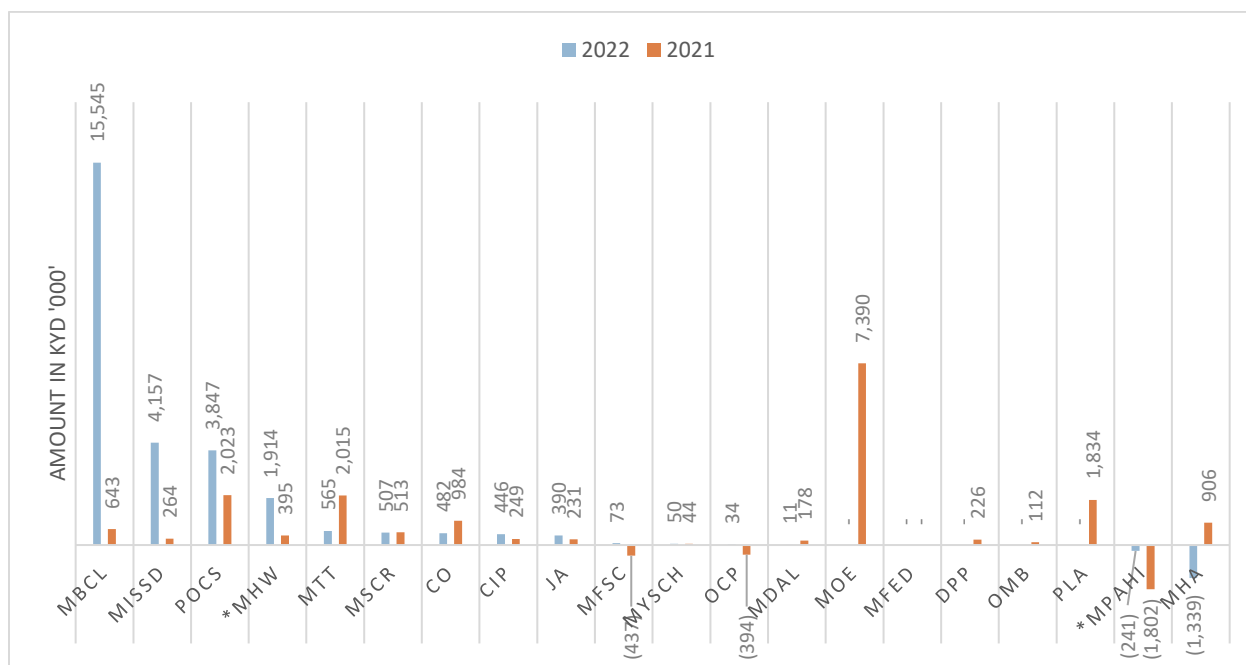


Note: The amounts for MHW and MPAHI have been obtained from the unaudited draft financial statements submitted for audit.

FINANCIAL PERFORMANCE

90. For 2022, 12 of the 18 core government entities audited reported a surplus, i.e., total revenue exceeded total expenditure. The Ministry of Home Affairs (MHA) reported a deficit mainly due to a higher-than-anticipated depreciation expense due to the revaluation of assets in the prior year. The remaining five entities broke even.
91. Exhibit 13 shows the net surplus or deficit for all Ministries, Portfolios and Offices for the year ended 31 December 2022. The Ministry of Border Control and Labour (MBCL) reported the largest surplus compared to other core government entities. The huge surplus was due to unbudgeted third-party revenues, mostly work permit fees.

Exhibit 13: Surplus/(Deficit) by Ministry, Portfolio and Office, 2022 and 2021



* Note: The amount for MHW and MPAHI have been obtained from the unaudited draft financial statements submitted for audit.

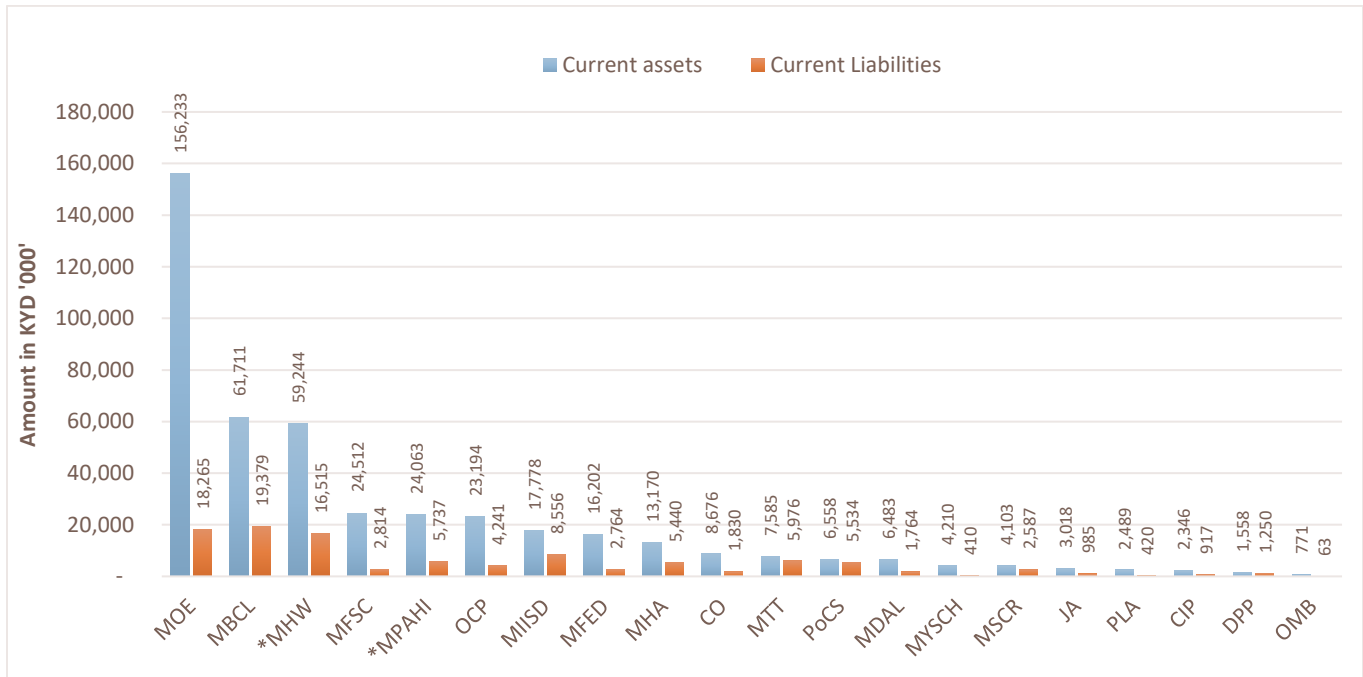
92. The financial performance should not be considered in isolation. It is essential to consider the related services' performance indicators and measures to determine the efficiency and effectiveness of the respective entities' operations. The ability to do this balanced assessment is currently lacking due to the suspension of provisions of the PMFA, which requires entities to report on their outputs. However, some public bodies have started to report this.

93. As reported earlier, there currently needs to be a comprehensive performance management reporting framework that demonstrates if the planned outputs were achieved effectively and efficiently. Financial reporting is done only on an input-cost basis and primarily assesses whether budget allocations have been exceeded or met. There are no details on whether the resources were used efficiently and effectively as authorised for the specific objectives.

FINANCIAL POSITION

94. Exhibit 14 shows the current assets compared with the current liabilities for each Ministry, Portfolio and Office in 2022. All core government entities show positive current ratios, i.e., adequate assets to meet current obligations.

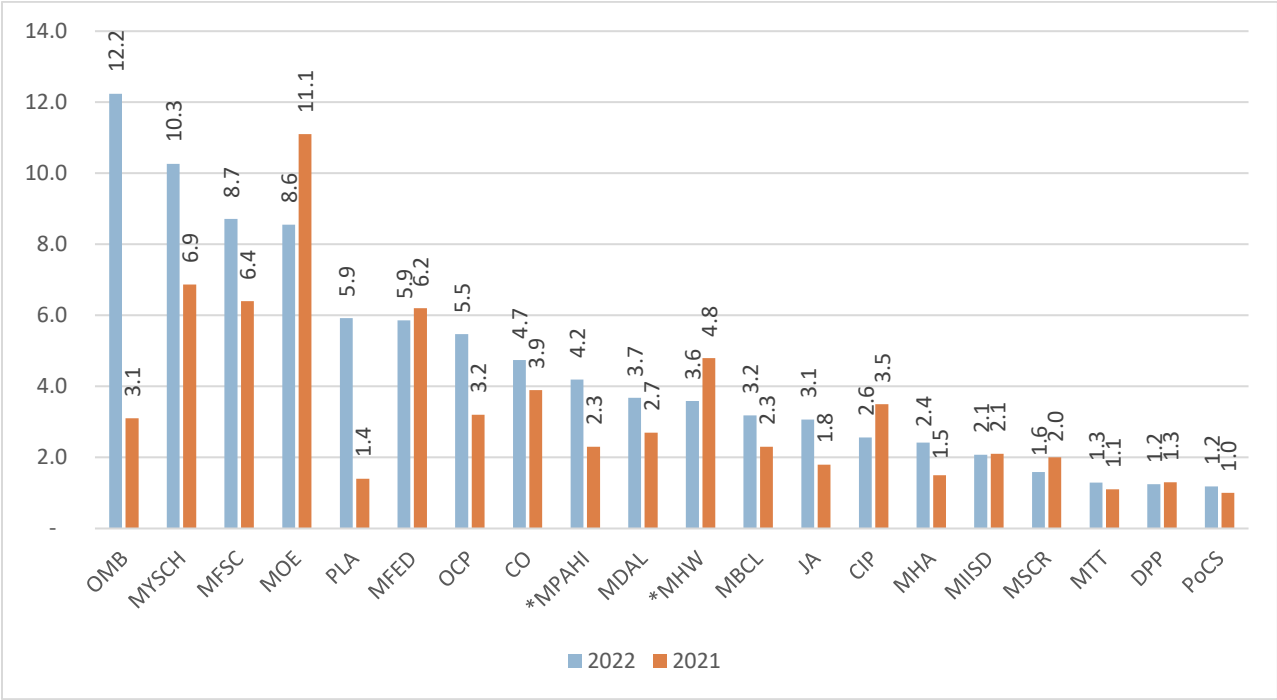
Exhibit 14: Current assets vs. current liabilities, by Ministry, Portfolio and Office, 2022



**Note: The amounts for both MHW and MPAHI have been obtained from the unaudited draft financial statements submitted for audit.*

95. A current ratio of one (1) means the amount of current assets held (cash and easily liquidated assets like accounts receivables and inventory) is the same as the current obligations of a core government entity. Therefore, a current ratio above one indicates a favourable asset position, and conversely, a current ratio less than one indicates a shortfall of assets to meet current obligations. Exhibit 15 shows that all Ministries, Portfolios and Offices had a positive current ratio for 2022.

Exhibit 15: Current ratios by Ministry, Portfolio and Office, 2022 and 2021



* Note: The amounts for both MHW and MPAHI have been obtained from the unaudited draft financial statements submitted for audit.

96. Based on our calculations, the Office of the Ombudsman (OMB) reported the highest current ratio of 12.2. The Ministry of Youth, Sports, Culture and Heritage (MYSCH) had the second-highest current ratio of 10.3. In contrast, the Office of the Director of Public Prosecutions (DPP) and the Portfolio of the Civil Service (PoCS) had the lowest ratio of 1.2.

APPENDIX C – FINANCIAL PERFORMANCE AND POSITION OF STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES (SAGCS) IN 2022

97. This report section provides a general financial assessment of SAGCs. Unaudited numbers from the budget statements have been used for those entities whose audits are still in progress for the 2022 year.

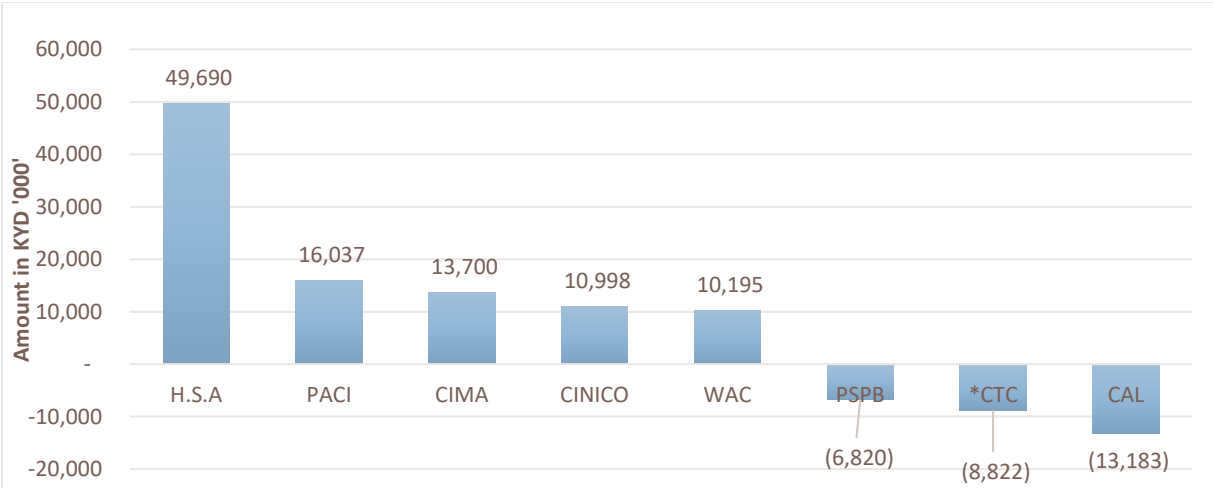
98. A summary of control deficiencies is included in Appendix F, and further details can be found in the individual ISA 260 reports published on our website.

<http://www.auditorgeneral.gov.ky/annualauditreportsforindividualetities>

FINANCIAL PERFORMANCE

99. As reported earlier, the financial performance of the SAGCs presents a mixed picture, with 16 of the 26 SAGCs recording surpluses while eight reported deficits and two broke even. Exhibit 16 shows the five SAGCs with the most significant surpluses and deficits (i.e. surpluses over \$10 million) for the 2022 financial year. The exhibit shows that the HSA had the largest surplus at \$49.7 million. In contrast, CAL had the most significant deficit at \$13.2 million, primarily due to the expenses recognised for re-measurement of the post-retirement benefit obligations.

Exhibit 16: SAGCs with the top surplus/deficits, 2022



**Budget or draft financial statement amounts submitted for audit have been used where audited financial statements are unavailable.*

REVENUE FROM GOVERNMENT

100. SAGCs, like core government entities, generate revenues from their services. SAGCs receive revenue from two primary sources. SAGCs provide various services to the general public on behalf of the Government as agreed in their respective ownership and purchase agreements. They also generate revenue from other sources, such as fees and charges directly to the public. For 2022, SAGCs generated total revenues of \$621 million, with \$108.3 million for services (outputs) to the Government and \$512.7 million of revenues from other sources. Exhibit 17 provides the amount of revenue by source for each SAGC.

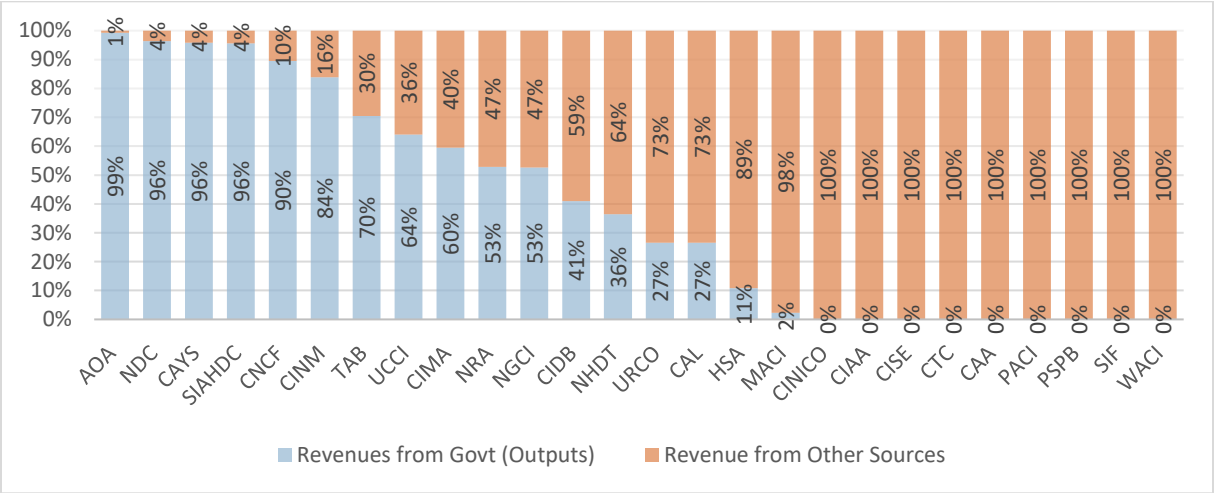
Exhibit 17: SAGC Revenues by Type, 2022

Entity	Revenues from Govt. (Outputs)		Revenue from Other Sources		Total Revenue
	\$	%	\$	%	\$
Health Services Authority	17,973,387	11	147,916,044	89	165,889,431
Cayman Islands National Insurance Company	-	-	130,619,593	100	130,619,593
Cayman Airways Limited	23,259,564	27	64,369,748	73	87,629,312
Cayman Islands Monetary Authority	31,858,000	60	21,673,000	40	53,531,000
Water Authority of the Cayman Islands	-	-	37,151,471	100	37,151,471
*Cayman Islands Airport Authority	-	-	24,221,661	100	34,340,699
National Roads Authority	16,112,196	53	10,173,107	47	30,492,593
Port Authority of the Cayman Islands	-	-	23,991,007	100	23,991,007
*University College of the Cayman Islands	6,960,486	64	3,977,236	36	10,937,722
Maritime Authority of the Cayman Islands	258,854	2	10,951,516	98	11,210,370
Civil Aviation Authority	-	-	8,981,622	100	8,981,622
Segregated Insurance Fund of the Cayman Islands	-	-	6,143,636	100	6,143,636
Utility Regulation and Competition Office	1,607,822	27	4,444,222	73	6,052,044
*Cayman Turtle Conservation and Education Center Limited	-	-	5,840,469	100	5,840,469
Cayman Islands Stock Exchange	-	-	4,034,440	100	4,034,440
Children & Youth Services Foundation	3,100,000	96	133,940	4	3,233,940
Tourism Attractions Board	1,980,000	70	831,971	30	2,811,846
National Gallery of the Cayman Islands	750,000	53	676,034	47	1,426,034
Cayman National Cultural Foundation	1,260,249	90	147,357	10	1,407,606
Cayman Islands Development Bank	566,768	41	815,033	59	1,381,801
Cayman Islands National Museum	891,920	84	171,358	16	1,063,278
*National Housing Development Trust	675,000	36	133,000	64	921,000
National Drug Council	714,355	96	26,978	4	741,833
Auditors Oversight Authority	270,483	99	2,000	1	272,483
Public Service Pensions Board	-	-	63,000	100	63,000
Sister Islands Affordable Housing Development Corporation	43,000	96	2,000	4	45,000
Total	108,282,584		512,744,669		621,027,147

*Budget or draft financial statement amounts submitted for audit have been used where audited financial statements are unavailable.

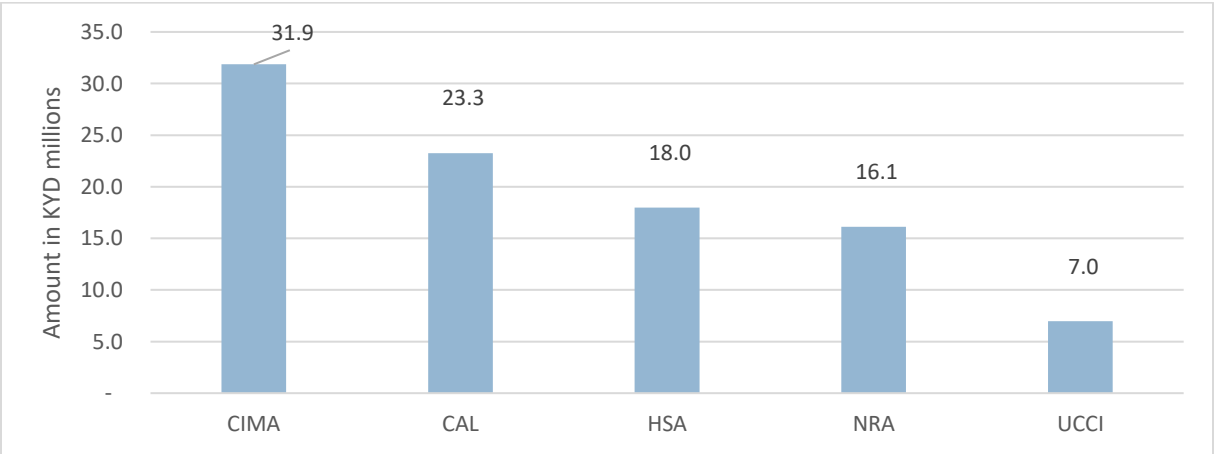
101. Nine SAGCs do not receive any revenue from the Government. However, some SAGCs receive more than 50% of their total revenues from the Government; without this revenue, they would not sustain their operations. Exhibit 18 shows the percentage of revenues SAGCs received from the Government and other sources for 2022. Exhibit 18 shows that 11 out of 26 SAGCs rely on more than 50% of government revenue. It also shows that five out of 26 SAGCs (AOA, NDC, CAYS, CNCF and SIAHDC) rely on 90% or more of government revenue.

Exhibit 18: SAGCs Government revenue vs. revenue from other sources, 2022



102. The Government provided \$108.3 million to SAGCs in 2022. Of this total, the highest four entities billed \$89.2 million (82%). Exhibit 19 shows the top billers of output revenue. The most significant was CIMA, which billed \$31.9 million of revenue (representing 29% of total revenue from the Government for the year). CAL billed the second-highest amount at \$23.3 million (22%), HSA the third-highest at \$18.0 million (17%), followed by NRA at \$16.1 million (15%). The remaining SAGCs collectively account for \$19 million (17%).

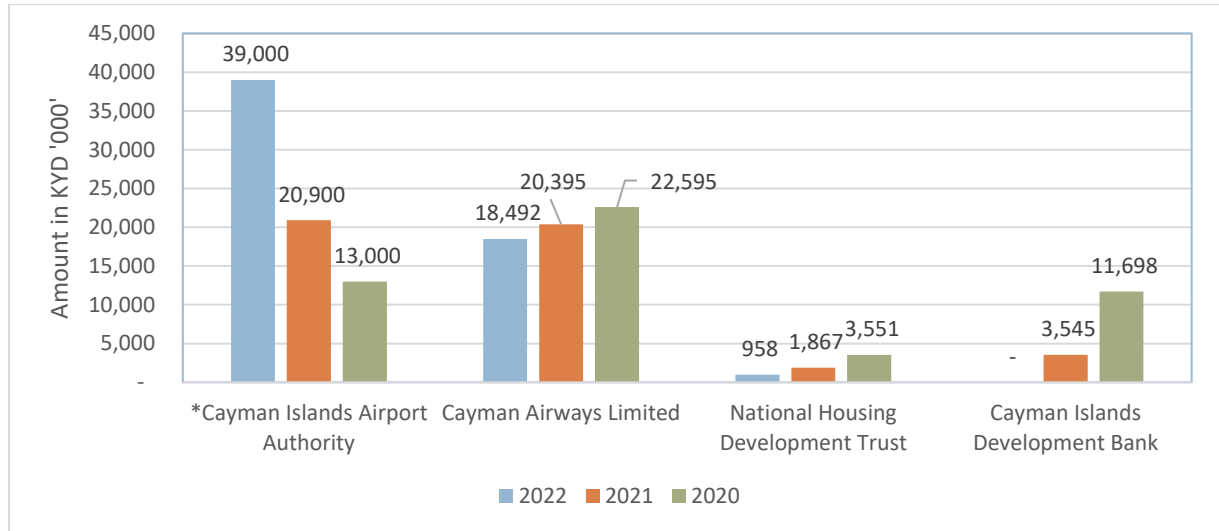
Exhibit 19: SAGCs billers of output revenue, 2022



NON-CURRENT DEBTS/LOANS

103. SAGCs' total non-current debts and loans increased from \$46.7 million on 31 December 2021 to \$58.4 million on 31 December 2022, an increase of \$11.7 million (25%). Exhibit 20 shows that this debt was held by three SAGCs - CAL, CIAA and NHDT. The Government provides the guarantee for this debt.

Exhibit 20: SAGCs Non-Current Debts/Loans, 2020 to 2022



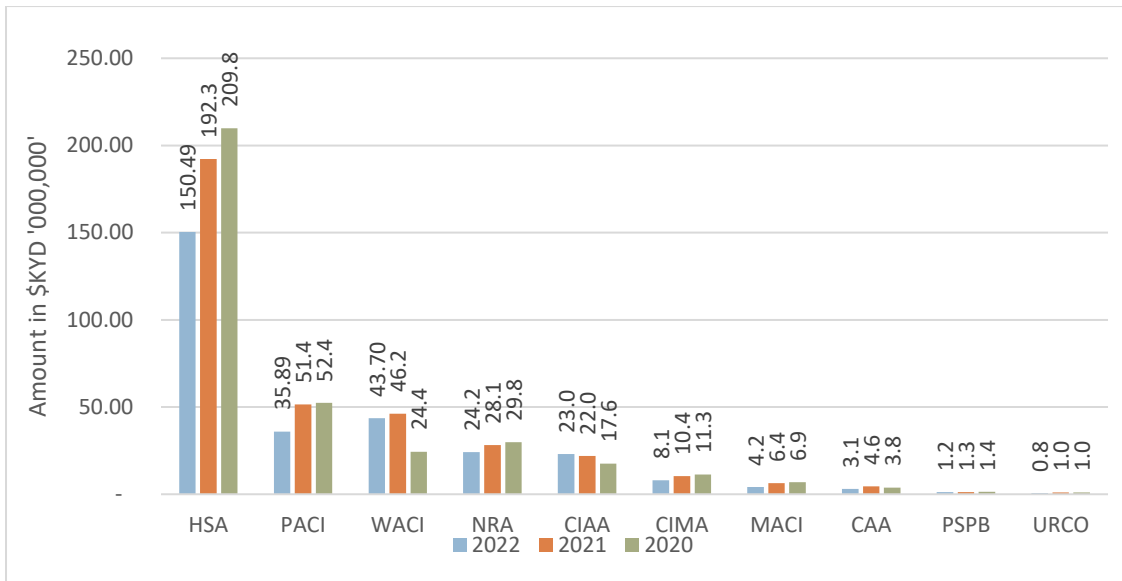
*Budget amount used for CIAA as the 2022, 2021, 2020 and 2019 audits are ongoing.

POST-RETIREMENT HEALTH CARE OBLIGATIONS

104. During the 2016–17 fiscal period, the Ministry of Finance decided that all SAGCs that had employees who were deemed eligible to receive post-retirement health care benefits should reflect this obligation in their respective financial statements. Employees of SAGCs had to meet certain conditions to qualify for these benefits. They had to have been previously employed with central government, transferred to a SAGC, worked at least ten years in public service, and retired from the public service.

105. The total post-retirement healthcare obligation for the audited SAGCs decreased by 18.8%, from \$363.0 million in 2021 to \$294.7 million in 2022. The decrease in 2022 results from the higher discount rate applied to the liability to reflect the rising interest rate regime. Exhibit 21 shows the obligations based on actuarial valuations recorded in 2022, 2021 and 2020 for the ten SAGCs with eligible employees.

Exhibit 21: SAGCs' post-retirement healthcare obligations, 2020 to 2022



Budget amount used for CIAA as the 2022, 2021, 2020 and 2019 audits are ongoing.

APPENDIX D – FINANCIAL TREND ANALYSIS – MINISTRIES, PORTFOLIOS AND OFFICES

106. In this appendix, we report a trend analysis of the financial performance of each Ministry, Portfolio, and Office (MPOs) for the five years 2018 to 2022. For entities with ongoing audits, we have used budget numbers or numbers obtained from financial statements submitted for audit if available. In addition, due to the re-organisation of Ministries that occurred in 2021, after the 2021 election, the composition of Ministries is not comparable for all of the years presented.

107. Exhibit 22 provides details of each MPOs reported surplus/deficit for the five years from 2018 to 2022. Exhibit 23 details the reported expenditure, and Exhibit 24 shows the split between outputs and revenue from other sources for each MPO over the same five-year period.

Exhibit 22: Surplus/(Deficit) by Ministry, Portfolio and Office, 2018 to 2022

Core government entity	2018	2019	2020	2021	2022
	\$	\$	\$	\$	\$
Cabinet Office	517,000	309,000	203,000	984,000	482,000
Cayman Islands Parliament	N/A	N/A	N/A	249,000	446,000
Director of Public Prosecutions	76,000	232,000	466,000	226,000	-
Judicial Administration	102,000	24,000	233,000	231,000	390,000
Ministry of Border Control and Labour	10,697,000	7,983,000	3,227,000	643,000	15,545,000
Ministry of District Administration and Lands	N/A	N/A	N/A	178,000	11,000
Ministry of Education	715,000	667,000	696,000	7,390,000	-
Ministry of Finance & Economic Development	3,837,000	308,000	3,000	-	-
Ministry of Financial Services and Commerce	N/A	N/A	N/A	(437,000)	73,000
*Ministry of Health and Wellness	1,969,226	304,000	422,000	395,000	1,914,000
Ministry of Home Affairs	N/A	N/A	N/A	906,000	(1,339,000)
Ministry of Investments, Innovation and Social Development	N/A	N/A	N/A	264,000	4,157,000
*Ministry of Planning, Agriculture, Housing and Infrastructure	(239,000)	(169,000)	160,000	(1,802,000)	(241,000)
Ministry of Tourism & Transport	1,583,000	895,000	908,000	2,015,000	565,000
Ministry of Sustainability and Climate Resiliency	N/A	N/A	N/A	513,000	507,000
Ministry of Youth, Sports, Culture and Heritage	N/A	N/A	N/A	44,000	50,000
Office of the Commissioner of Police	N/A	N/A	(137,000)	(394,000)	34,000
Office of the Ombudsman	93,000	17,000	109,000	112,000	-
Portfolio of the Civil Service	1,385,000	953,000	2,179,000	2,023,000	3,847,000
Portfolio of Legal Affairs	305,000	524,000	2,337,000	1,834,000	-

Notes:

- The Ministry of International Trade, Investment, Maritime and Aviation was established in 2019.*
- The Office of the Commissioner of Police was established in 2020.*
- The MHW audits for 2022, 2021, 2020, 2019 and 2018 are ongoing; amounts are from the budget.*
- Cayman Islands Parliament was established on 1 January 2021.*
- The Ministry of Home Affairs, Ministry of Investment, Innovation and Social Development, Ministry of District Administration and Lands, Ministry of Sustainability & Climate Resiliency and the Ministry of Youth, Sports, Culture and Heritage were established after the general election on 1 July 2021.*

Exhibit 23: Expenses by Ministry, Portfolio and Office, 2018 to 2022

Entity	2018	2019	2020	2021	2022
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cabinet Office	8,906	9,420	9,819	10,991	12,809
Cayman Islands Parliament	N/A	N/A	N/A	1,979	2,287
Judicial Administration	6,798	7,912	8,520	10,158	11,170
Ministry of Border Control and Labour	58,868	81,753	40,382	45,976	50,288
Ministry of District Administration and Lands	N/A	N/A	N/A	8,768	17,890
Ministry of Education	102,200	112,165	116,061	113,722	117,030
Ministry of Finance and Economic Development	26,579	15,698	14,633	17,271	16,590
Ministry of Financial Services and Commerce	N/A	N/A	N/A	8,059	18,064
*Ministry of Health and Wellness	28,744	35,707	42,346	44,859	44,859
Ministry of Home Affairs	N/A	N/A	N/A	25,144	51,847
Ministry of Investments, Innovation and Social Development	N/A	N/A	N/A	17,117	36,038
*Ministry of Planning, Agriculture, Housing and Infrastructure	38,335	43,640	44,825	48,789	47,337
Ministry of Tourism and Transport	33,477	35,688	29,239	26,980	25,042
Ministry of Sustainability and Climate Resiliency	N/A	N/A	N/A	4,856	12,199
Ministry of Youth, Sports, Culture and Heritage	N/A	N/A	N/A	3,303	6,777
Office of the Commissioner of Police	N/A	N/A	48,057	51,820	52,619
Office of the Director of Public Prosecution	3,242	3,760	3,888	4,186	4,523
Office of the Ombudsman	1,476	1,726	2,170	2,167	1,898
Portfolio of the Civil Service	9,923	11,270	12,926	14,388	14,998
Portfolio of Legal Affairs	6,576	7,213	7,246	8,031	8,446

Notes:

1. The Ministry of International Trade, Investment, Maritime and Aviation was established in 2019 and discontinued in 2021
2. The Office of the Commissioner of Police was established in 2020.
3. The MHW audits for 2022, 2021, 2020, 2019, and 2018 are ongoing; amounts are from the budget.
4. The Cayman Islands Parliament was established on 1 January 2021.
5. The Ministry of Home Affairs, Ministry of Investment, Innovation and Social Development, Ministry of District Administration and Lands, Ministry of Sustainability & Climate Resilience and the Ministry of Youth, Sports, Culture and Heritage were established after the general elections on 1 July 2021.
6. The Ministry of Community Affairs and the Ministry of International Trade, Investment, Maritime and Aviation were closed after the general election on 30 June 2021.

Exhibit 24: Revenue type by Ministry, Portfolio and Office, 2022

Entity	Outputs to Cabinet	Other Sources	Total Revenue	% Revenue Cabinet Funded
	(\$'000)	(\$'000)	(\$'000)	
Cabinet Office	11,738	1,577	13,315	88%
Cayman Islands Parliament	2,731	1	2,733	100%
Judicial Administration	11,537	23	11,560	99%
Ministry of Border Control and Labour	50,646	15,010	65,656	77%
Ministry of District Administration and Lands	16,185	1,716	17,901	90%
Ministry of Education	115,203	1,827	117,030	99%
Ministry of Finance and Economic Development	14,302	2,327	16,565	86%
Ministry of Financial Services and Commerce	13,617	4,520	18,137	75%
*Ministry of Health and Wellness	26,589	4,875	31,464	85%
Ministry of Home Affairs	50,129	379	50,508	99%
Ministry of Investments, Innovation and Social Development	39,809	386	40,195	99%
*Ministry of Planning, Agriculture, Housing & Infrastructure	37,422	9,650	47,072	79%
Ministry of Tourism and Transport	25,523	83	25,606	99%
Ministry of Sustainability and Climate Resiliency	12,658	50	12,708	99%
Ministry of Youth, Sports, Culture and Heritage	6,778	49	6,827	99%
Office of the Commissioner of Police	51,034	1,619	52,653	97%
Office of the Director of Public Prosecution	4,521	2	4,523	99%
Office of the Ombudsman	1,898	-	1,898	100%
Portfolio of the Civil Service	14,962	3,904	18,866	79%
Portfolio of Legal Affairs	7,600	846	8,446	90%
Total	514,882	49,029	563,911	91%

1. The MHW audits for 2022, 2021, 2020, 2019 and 2018 are ongoing; amounts are from the budget.
2. The 2022 audit for MPAHI is ongoing. Amounts obtained from the draft financial statements have been used.

APPENDIX E – FINANCIAL ANALYSIS – SAGCS

108. In this appendix, we report a trend analysis of the financial performance of SAGCs for the five years 2018 to 2022. For entities with ongoing audits, we have used budget numbers or numbers obtained from financial statements submitted for audit if available.

109. Exhibit 25 provides details of each SAGC reported surplus/deficit for the five years from 2018 to 2022. Exhibit 26 details the reported expenditure, and Exhibit 27 shows the split between outputs and revenue from other sources for each SAGC over the same five-year period.

Exhibit 25: Net Profit/ (Loss) or Surplus/ (Deficit) by SAGCs from 2018 to 2022

SAGC	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Auditors Oversight Authority	33,220	(17,106)	55,576	-	-
Cayman Airways Limited	(13,872,757)	(7,797,858)	(552,685)	(5,019,266)	(13,182,954)
*Cayman Islands Airport Authority	6,483,373	3,403,034	704,410	1,625,056	1,625,056
Cayman Islands Development Bank	(432,821)	263,362	283,035	166,054	(826,630)
Cayman Islands Monetary Authority	8,358,000	5,830,000	3,752,000	5,711,000	13,700,000
Cayman Islands National Museum	78,931	5,710	43,324	1,301	8,819
Cayman National Cultural Foundation	(89,820)	(202,683)	3,130,084	(130,981)	(50,737)
Cayman Islands Stock Exchange	907,795	1,214,280	2,125,678	2,473,6429	1,813,720
*Cayman Turtle Conservation and Education Center Limited	(7,469,592)	(6,869,768)	(6,705,214)	(10,731,072)	(8,822,119)
Children and Youth Services Foundation	(493,340)	138,722	288,677	148,040	133,953
Cayman Islands National Insurance Company	(6,992,990)	(258,939)	10,547,859	1,437,310	10,997,691
Civil Aviation Authority	3,745,109	2,544,142	1,203,822	3,791,150	6,410,346
Health Services Authority	27,410,472	(23,007,023)	(34,010,270)	55,049,275	49,689,542
Maritime Authority	1,795,595	1,808,774	306,918	2,621,494	3,447,398
National Drug Council	(17,364)	32,626	108,042	108,374	54,798
National Gallery of the Cayman Islands	(39,965)	(98,190)	3,178,837	4,641	85,886
*National Housing Development Trust	(1,397,000)	(1,326,000)	(1,107,000)	(799,000)	(1,900,000)
National Roads Authority	(734,682)	1,334,751	(1,472,602)	(353,116)	1,577,153
Port Authority of the Cayman Islands	6,069,929	(3,386,707)	(11,962,936)	11,055,068	16,036,821
Public Service Pensions Board	(3,306,000)	(3,513,000)	(3,944,000)	(4,095,000)	(6,820,000)
Segregated Insurance Fund of the Cayman Islands	5,348,160	5,666,100	5,442,492	5,609,740	6,135,636
Sister Islands Affordable Housing Development Corporation	(151,000)	(25,000)	-	22,000	-
Tourism Attraction Board	243,596	166,741	(142,139)	212,305	85,884
*University College of the Cayman Islands	(519,954)	(355,048)	330,738	2,728	(508,832)
Utility Regulation and Competition Office	135,659	329,961	716,665	1,137,056	526,991
Water Authority of the Cayman Islands	8,370,271	2,338,734	623,096	(14,171,445)	10,194,564

**Budget or draft financial statement amounts submitted for audit have been used where audited financial statements are unavailable.*

Exhibit 26: Expenses by SAGC, 2018 to 2022

SAGC	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Auditors Oversight Authority	309,411	335,606	292,349	291,920	272,483
Cayman Airways Limited	98,068,320	100,563,880	73,114,877	62,051,980	100,812,266
*Cayman Islands Airport Authority	29,364,167	28,422,224	33,007,240	32,715,643	32,715,643
Cayman Islands Development Bank	2,950,905	2,470,424	2,179,492	2,057,875	2,208,431
Cayman Islands Monetary Authority	28,199,000	30,624,000	36,022,000	40,623,000	44,820,000
Cayman Islands National Museum	938,212	1,058,551	936,873	923,784	1,060,648
Cayman National Cultural Foundation	964,869	1,154,952	1,242,030	1,514,725	1,458,343
Cayman Islands Stock Exchange Ltd.	1,857,762	1,951,379	1,805,452	2,124,322	2,220,720
*Cayman Turtle Conservation and Education Center Limited	13,289,931	13,710,305	16,318,780	16,320,727	16,320,727
Children and Youth Services Foundation	3,276,507	3,046,046	2,925,576	3,126,507	3,099,987
Cayman Islands National Insurance Company	86,981,896	95,995,783	91,508,898	111,526,865	119,621,902
Civil Aviation Authority	4,740,502	5,037,049	4,980,646	5,064,843	5,952,276
Health Services Authority	119,284,265	128,227,568	144,214,372	161,011,245	171,063,908
Maritime Authority of the Cayman Islands	9,502,391	9,383,939	16,318,780	10,354,058	9,156,972
National Drug Council	678,931	657,022	595,430	613,424	687,035
National Gallery of the Cayman Islands	1,136,240	1,334,627	1,206,338	1,112,839	1,340,148
*National Housing Development Trust	3,627,000	1,892,000	1,831,000	1,607,000	2,367,000
National Roads Authority	16,522,516	19,619,158	22,229,639	10,850,259	10,970,021
Public Service Pensions Board	3,497,000	3,697,000	4,203,000	4,403,000	6,883,000
Port Authority of the Cayman Islands	18,484,995	29,956,112	33,816,085	20,897,508	25,244,840
Segregated Insurance Fund of the Cayman Islands	9,000	9,000	9,000	8,000	8,000
Sister Islands Affordable Housing Development Corporation	588,000	88,000	40,000	46,000	45,000
Tourism Attraction Board	3,097,261	3,488,460	2,514,528	2,597,5309	2,725,961
*University College of the Cayman Islands	8,168,057	9,777,734	10,612,004	10,909,679	11,446,555
Utility Regulation and Competition Office	4,801,450	4,403,564	4,624,837	4,646,030	5,525,053
Water Authority of the Cayman Islands	29,376,340	27,703,895	29,041,710	63,487,879	37,362,157

**Budget or draft financial statement amounts submitted for audit have been used where audited financial statements are unavailable.*

Exhibit 27 Output revenue from Government sources by SAGC, 2018 to 2022

SAGC	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22
Auditors Oversight Authority	315,000	315,000	335,000	285,845	270,483
Cayman Airways Limited	23,231,857	23,180,048	43,334,118	28,472,690	23,259,564
*Cayman Islands Airport Authority	-	-	-	-	-
Cayman Islands Development Bank	1,026,347	566,768	566,768	566,768	566,768
Cayman Islands Monetary Authority	16,333,000	18,439,000	22,648,000	24,641,000	31,858,000
Cayman Islands National Museum	821,000	855,000	855,000	855,000	891,920
Cayman National Cultural Foundation	660,000	760,000	1,088,800	1,088,801	1,260,249
Cayman Islands Stock Exchange Ltd.	-	-	-	-	-
*Cayman Turtle Conservation and Education Center Limited	-	-	-	-	-
Children and Youth Services Foundation	2,683,000	3,100,000	3,100,000	3,100,000	3,100,000
Cayman Islands National Insurance Company	-	-	-	-	-
Civil Aviation Authority	-	-	-	-	-
Health Services Authority	10,682,190	14,394,290	16,200,689	15,417,290	17,973,387
Maritime Authority of the Cayman Islands	413,578	343,396	674,528	674,528	674,528
National Drug Council	644,781	668,605	689,355	689,355	714,855
National Gallery of the Cayman Islands	586,000	586,000	736,000	736,000	750,000
National Housing Development Trust	581,000	581,000	675,000	675,000	675,000
National Roads Authority	5,285,730	10,583,525	10,512,419	23,236,4443	16,112,196
Port Authority of the Cayman Islands	-	-	-	-	-
Public Service Pensions Board	-	-	-	-	-
Segregated Insurance Fund of the Cayman Islands	-	-	-	-	-
Sister Islands Affordable Housing Development Corporation	75,000	56,000	39,000	45,000	43,000
Tourism Attractions Board	2,000,000	2,000,000	1,760,000	2,200,000	1,980,000
University College of the Cayman Islands	4,315,529	5,528,940	7,057,482	6,919,100	6,960,486
Utility Regulation and Competition Office	1,625,309	1,238,476	1,628,183	1,714,329	1,607,822
Water Authority of the Cayman Islands	-	-	-	-	-

**Budget or draft financial statement amounts submitted for audit have been used where audited financial statements are unavailable.*

APPENDIX F – INTERNAL CONTROL DEFICIENCIES

As of 30 September 2023, we had finalised 21 ISA 260 reports. This appendix summarises the internal control deficiencies reported for those 21 public bodies.

INTERNAL CONTROL DEFICIENCY	PUBLIC BODY																				
	AOA	CAA	CIDB	CNCF	MBCL	MFED	NGCL	NDC	PACL	CIP	PoCS	SHAHDC	HSA	MOE	MYSCH	CINICO	CSX	MDAL	MIISD	OCP	TAB
Governance																					
Board members serving without an enforced term of appointment	√																				
Infrequent governance meetings			√				√	√													
The Board approved loans after the fact			√																		
No quorum for a board meeting												√									
Lack of board resolution to approve rental income rate									√												
Lack of Notice of Interest			√						√	√		√									√

INTERNAL CONTROL DEFICIENCY	PUBLIC BODY																				
	AOA	CAA	CIDB	CNCF	MBCL	MFFD	NGCI	NDC	PACI	CIP	POCS	SIADDC	HSA	MOE	MYSCH	CINICO	CSX	MDAL	MIISD	OCP	TAB
Non-compliance with Acts and Regulations																					
Non-compliance with Procurement Act (2018) and Procurement Regulations		√		√			√	√	√						√	√					
No contract for a service provider											√										
Non-compliance with the Personnel Regulations (2022 Revision)-Duty allowances					√					√											
Non-compliance with the Personnel Regulations (2022 Revision) - Acting allowances						√				√	√							√			
Insufficient parliament sittings										√											
Non-Compliance with PAA 47 – Standardisation of salaries				√					√												
Non-compliance with the Parliament Management Act – The Parliament Management Committee did not meet from March 2022 to February 2023										√											
Value for money																					
Value for money/no house sales during the year												√									

INTERNAL CONTROL DEFICIENCY	PUBLIC BODY																				
	AOA	CAA	CIDB	CNCF	MBCL	MFED	NGCI	NDC	PACI	CIP	POCS	SIADDC	HSA	MOE	MYSCH	CINICO	CSX	MDAL	MIISD	OCF	TAB
Value for money – lease for more office space than needed										√											
Excessive Christmas party expenses									√												
No assessment of actual outputs vs. budgeted outputs																		√			
Financial Management																					
High deficiency rate of delinquent loans			√																		
Inadequate collateral assets monitoring			√																		
The current Portfolio mix is not at a recommended level			√																		
Long outstanding debt owed to CIG for insurance premiums				√																	
Long outstanding receivable balance						√								√							
Lack of segregation of duties – Charge Master (HSA pricing database)														√							

INTERNAL CONTROL DEFICIENCY	PUBLIC BODY																				
	AOA	CAA	CIDB	CNCF	MBCL	MFED	NGCI	NDC	PACI	CIP	POCS	SIADDC	HSA	MOE	MYSCH	CINICO	CSX	MDAL	MIISD	OCF	TAB
Lack of sufficient physical security at the inventory warehouse													√								
Error in Great Plains Accounting System in translating foreign currency transactions to KYD									√												
Lack of duly/valid signed lease agreements									√					√							
Bank reconciliations are not done properly									√												
Deficiencies in maintaining books and records												√									
No evidence of an inventory valuation schedule				√																	
No established agreement for the custodianship of Pirates Festival Funds															√						
Lack of travel policy										√											
Unaccounted for difference in inventory balance due to control breakdown									√												
Deficiencies in inventory management									√												

INTERNAL CONTROL DEFICIENCY	PUBLIC BODY																					
	AOA	CAA	CIDB	CNCF	MBCL	MFFD	NGCI	NDC	PACI	CIP	POCS	SIADDC	HSA	MOE	MYSCH	CINICO	CSX	MDAL	MIISD	QCP	TAB	
Inconsistencies between the number of cruise passengers									√													
Health Insurance plan documents not authorised																√						
Lack of donations policy																	√					
Incorrect accounting treatment for donations																			√			
Bad debts provision not in line with the policy						√																
Inadequate monitoring of advance payment for supplies													√									
Waste of inventory resources													√									
Outdated purchase orders																				√		
Lack of comprehensive overtime policy																					√	
Information Technology																						
No formal IT strategy and IT risk assessment									√													
Change management deficiencies in Port Manager									√													

INTERNAL CONTROL DEFICIENCY	PUBLIC BODY																				
	AOA	CAA	CIDB	CNCF	MBCL	MFED	NGCI	NDC	PACI	CIP	POCS	SIADDC	HSA	MOE	MYSCH	CINICO	CSX	MDAL	MIISD	OCP	TAB
Insufficient strategic oversight of IT			√																		
No backup and change management policy						√															
No integrated time recording system													√								

APPENDIX G – NEW AND REVISED ACCOUNTING STANDARDS FOR 2022 AND FUTURE PERIODS

CHANGES IMPACTING THE 2022 FINANCIAL STATEMENTS

- 110. Amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts.** The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4. The first option permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called Overlay approach. The second option is a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. This is called the deferral approach. The overlay approach is to be applied when IFRS 9 is first used. The deferral approach is effective for annual periods beginning on or after 1 January 2018 and only available for five years after that date.
- 111. Amendments to IFRS 3 – Business Combinations: Reference to the Conceptual Framework.** The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. This came into effect for annual periods beginning January 1, 2022.
- 112. Amendments to IAS 16 – Property Plant and Equipment: Proceeds before intended use.** The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items and the cost of producing those items in profit or loss. This came into effect for annual periods beginning January 1, 2022.
- 113. Amendments to IAS 37 – Provisions, Contingent Liabilities and Assets: Onerous Contracts – Cost of fulfilling a contract.** The amendments specify that a contract's 'cost of fulfilling' comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can be incremental costs of fulfilling that contract (examples would be direct labour and materials). These costs can also be an allocation of other costs that relate directly to fulfilling contracts (an example would be the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This came into effect for annual periods beginning January 1, 2022.
- 114. Amendments to IFRS 16 – Lease: Liability in a sale and leaseback.** The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in

IFRS 15 - Revenue from Contracts with Customers to be accounted for as a sale. This came into effect for annual periods beginning January 1, 2022.

CHANGES IMPACTING FUTURE PERIOD FINANCIAL STATEMENTS

CHANGES TO STANDARDS FOR 2023

115. **IPSAS 41 – Financial instruments.** IPSAS 41 provides users of financial statements with more useful information than **IPSAS 29 - Financial Instruments: Recognition and Measurement** by:

- Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;
- Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and
- Applying an improved hedge accounting model that broadens the hedging arrangements in the scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. This standard came into effect on January 1, 2023.

116. **IPSAS 42 – Social Benefits.** IPSAS 42 provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognise an expense and a liability for the next social benefit payment. This standard came into effect on January 1, 2023.

117. **Amendments to IFRS 17 – Insurance contracts.** The amendments address concerns and implementation challenges identified after *IFRS 17 - Insurance Contracts* were published in 2017. This comes into effect for annual periods beginning January 1, 2023.

118. **Amendments to IAS 12 – Income Taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction.** The amendments clarify that the initial recognition exemption does not apply to transactions with equal amounts of deductible and taxable temporary differences arising on initial recognition. This comes into effect for annual periods beginning January 1, 2023.

CHANGES TO STANDARDS FROM 2024 AND BEYOND

119. **Amendments to IAS 1 – Presentation of Financial Statements: Classification of liabilities as Current or Non-Current.** The amendments promote consistency in applying the requirements by helping companies determine whether debt and other liabilities with an uncertain settlement date in the statement of financial position should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the liability classification. This will come into effect for annual periods beginning January 1, 2024.

120. **IPSAS 43 – Leases.** IPSAS 43 is based on the *International Financial Reporting Standard (IFRS) 16, Leases*, developed by the International Accounting Standards Board (IASB). For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to the ownership model in *IPSAS 13, Leases*. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13. This standard comes into effect on January 1, 2025.
121. **IPSAS 44 - Non-current assets held for sale and discontinued operations.** IPSAS 44 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be:
- Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease; and
 - Presented separately in the statement of financial position, and the results of discontinued operations are to be shown separately in the statement of financial performance. This standard comes into effect on January 1, 2025.
122. **IPSAS 45 – Property, plant and equipment.** IPSAS 45 replaces *IPSAS 17, Property, Plant, and Equipment*, by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognised and measured. This standard comes into effect on January 1, 2025, with earlier application permitted.
123. **IPSAS 46 - Measurement.** IPSAS 46 provides new guidance in a single standard addressing how commonly used measurement bases should be applied in practice. It brings in generic guidance on fair value for the first time and introduces current operational value, a public sector-specific current value measurement basis addressing constituents’ views that an alternative current value measurement basis to fair value is needed for certain public sector assets. This standard comes into effect on January 1, 2025, with earlier application permitted.
124. **IPSAS 47 - Revenue.** IPSAS 47 is a single source for revenue accounting guidance in the public sector, presenting two accounting models based on a binding arrangement. This new Standard provides focused guidance to help public bodies apply the principles to account for public sector revenue transactions. The effective date for this standard will be for periods beginning January 1, 2026.
125. **IPSAS 48 - Transfer Expenses.** IPSAS 48 provides accounting guidance for transfer expenses, which account for a significant portion of expenditures for many public sector entities. This new Standard fills a significant gap in the IPSASB’s literature and guides to help entities account for public sector transfer expense transactions. The effective date for this standard will be for periods beginning January 1, 2026.

APPENDIX H – LIST OF PUBLIC BODIES

Number	Public Body	Auditor	Abbreviation
1	Auditors Oversight Authority	OAG	AOA
2	Cabinet Office	OAG	CO
3	Cayman Airways Limited	KPMG	CAL
4	Cayman Islands Airports Authority	OAG	CIAA
5	Cayman Islands Development Bank	OAG	CIDB
6	Cayman Islands Monetary Authority	OAG	CIMA
7	Cayman Islands National Insurance Company	KPMG	CINICO
8	Cayman Islands National Museum	OAG	CINM
9	Cayman Islands Parliament	OAG	CIP
10	Cayman Islands Stock Exchange Ltd.	PwC Cayman	CISX
11	Cayman National Cultural Foundation	OAG	CNCF
12	Cayman Turtle Conservation and Education Centre Limited	Grant Thornton Cayman Islands	CTC
13	Children & Youth Services Foundation	KPMG	CAYS
14	Civil Aviation Authority	KPMG	CAA
15	Entire Public Sector	OAG	EPS
16	Health Services Authority	OAG	HSA
17	Judicial Administration	KPMG	JA
18	Maritime Authority of the Cayman Islands	Grant Thornton Cayman Islands	MACI
19	Ministry of Border Control and Labour	OAG	MBCL
20	Ministry of District Administration and Lands	OAG	MDATT
21	Ministry of Education	OAG	MEYSAL
22	Ministry of Finance and Economic Development	OAG	MFED
23	Ministry of Financial Services and Commerce	OAG	MFSC
24	Ministry of Health and Wellness	OAG	MHW
25	Ministry of Home Affairs	OAG	MHA
26	Ministry of Investments, Innovation and Social Development	OAG	MIISD
27	Ministry of Planning, Agriculture, Housing and Infrastructure	OAG	MCPI
28	Ministry of Sustainability and Climate Resiliency	OAG	MSCR
29	Ministry of Tourism and Transport	OAG	MTT
30	Ministry of Youth, Sports, Culture and Heritage	OAG	MYSCH
31	National Drug Council	KPMG	NDC
32	National Gallery of the Cayman Islands	Eisner Amper Cayman Ltd.	NGCI
33	National Housing and Development Trust	OAG	NHDT

34	National Roads Authority	OAG	NRA
35	Office of the Auditor General	Baker Tilly Cayman	OAG
36	Office of the Commissioner of Police	OAG	OCP
37	Office of the Director of Public Prosecutions	KPMG	DPP
38	Office of the Ombudsman	KPMG	OMB
39	Port Authority of the Cayman Islands	OAG	PACI
40	Portfolio of Legal Affairs	KPMG	PLA
41	Portfolio of the Civil Service	OAG	PoCS
42	Public Service Pensions Board	OAG	PSPB
43	Segregated Insurance Fund	OAG	SIF
44	Sister Islands Affordable Housing Development Corporation	OAG	SIAHDC
45	Tourism Attractions Board	OAG	TAB
46	University College of the Cayman Islands	KPMG	UCCI
47	Utilities Regulation and Competition Office	OAG	URCO
48	Water Authority of the Cayman Islands	KPMG	WACI

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