



**SISTER ISLANDS AFFORDABLE HOUSING
DEVELOPMENT CORPORATION**

Report to those charged with governance on the 2021 audit

June 2022

*To help the public service
spend wisely*

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2021 financial statements of the Sister Islands Affordable Housing Development Corporation (the “Corporation”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Corporation in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:
 - auditors’ responsibilities in relation to the audit
 - the overall scope and approach to the audit, including any expected limitations, or additional requirements
 - relationships that may bear on our independence, and the integrity and objectivity of our staff
 - expected modifications to the audit report
 - significant findings from our audit
2. This report sets out for the consideration of those charged with governance those matters arising from the audit of the 2021 financial statements that we consider are worthy of drawing to your attention.
3. This report has been prepared for the sole use of those charged with governance and we accept no responsibility for its use by a third party. Under the Freedom of Information Act (2020 Revision) it is the policy of the Office of the Auditor General to release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR’S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

4. ISAs require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters and this report

includes only those matters of interest which came to our attention as a result of the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on December 20, 2021, to which this engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS:

6. While we have no responsibility to perform any audit work on other information, including forward looking statements, containing audited financial statements, we will read the other information contained in the Corporation's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or our knowledge of the operations of the Corporation. We have not reviewed any other documents containing the Corporation's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Office of the Auditor General and audit staff, and the nature and scope of the audit, were outlined in the Engagement Letter presented to the Chief Officer and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an unmodified opinion with an emphasis of matter paragraph in the Auditor General's report on the 2021 financial statements.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no uncorrected misstatements arising from the audit.
10. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on April 19, 2022.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Corporation significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Corporation to make accounting estimates and judgments about accounting policies and financial statement disclosures.

We are, however, not aware of any new or controversial accounting practices reflected in the Corporation's financial statements.

12. Details of significant findings from the audit are included in Appendix 2 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. There were no matters which required management to make significant judgments or which required significant estimates except for the useful lives of fixed assets and revaluation of land.

GOING CONCERN DOUBTS

14. As a result of our audit, we did not become aware of any material uncertainties related to events and conditions that may cast significant doubt on the Corporation's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

15. We identified a number of significant and other matters relating to internal controls as part of our audit. These include:

- Value for money (reiterated from the prior year).
- No board meetings held during the year (reiterated from the prior year).
- Delayed output revenue billings.
- Updating of bank account signatories.
- Registers of Interests not provided.

Details are included in Appendix 2 along with management's response.

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts and regulations rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance; place a strong emphasis on fraud prevention and fraud deterrence. They are also responsible for establishing and maintaining controls pertaining to the Corporation's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.
17. As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.
18. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

19. No serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

20. We have had no disagreements with management resulting from our audit.

ANY OTHER SIGNIFICANT MATTERS

21. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

22. We would like to express our thanks to the staff of the Sister Islands Affordable Housing Development Corporation for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within the agreed timetable.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Number	Name	Account No	Debit	Credit
1	Revaluation of assets	55006	22,100	
	Revaluation of assets (income statement)	55007		(22,100)
	To reclassify a revaluation surplus equal to previously recognized revaluation deficits from equity to the income statement.			
2	Receipts from Cabinet	42600	75,000	
	Outputs to Cabinet due	11002		(75,000)
	Reverse Cabinet revenue recorded in excess of expenses for the year.			
3	Unearned Revenue	25000	51,402	
	Receipt from Cabinet	42600		(51,402)
	Reverse receivable for Cabinet revenue that was accrued before being earned.			
4	Outputs to Cabinet due	11002	23,598	
	Receipt from Cabinet	42600		(23,598)
	To record prior year unearned revenue earned in 2021			
5	Unrestricted Net Assets	32000	18,876.63	
	Audit Fees	62300	4,358.37	
	Accrued Audit Fees	21000		(23,235)
	Being entry to correct misstatement on accounts payable.			
6	Accounting fees	66750	100	
	Accounts payable	20000		(100)
	To correct understatement of accounting fees for August 2021.			

Number	Name	Account No	Debit	Credit
7	Outputs to Cabinet Due	11002	4,458.37	
	Receipts from Cabinet	42600		(4,458.37)
	Being entry to record additional Cabinet Revenue for the year based on audit adjustments posted.			
			199,893	(199,893)

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. <u>Value for money (reiterated from the prior year).</u></p> <p>The Corporation's main purpose is to promote affordable home ownership for the Caymanian public in the Sister Islands. However, the Corporation did not build or sell any houses in 2020 and 2021.</p>	<p>Risk/Implication The Corporation is not providing value for money for the funding it receives from Cabinet.</p> <p>Recommendation Management and the Board of Directors should ensure that the Corporation builds affordable homes for sale in accordance with the terms of its Purchase Agreement it signed with the Cabinet.</p> <p>Management and the Board should consider suggesting to their Minister that the Corporation be merged with the National Housing Development Trust in order to achieve economies of scale since the two entities have the same principal activities.</p>	<p>Recommendation partially accepted.</p> <p>Regarding building of homes, the new Board established in late 2021, is actively looking at improving the delivery as per the Purchase Agreement for 2022-23.</p> <p>In relation to the recommendation to merge with the National Housing Development Trust in order to achieve economies of scale, while there may be efficiencies in merging, it is thought that having a Sister Islands presence and localized Board governance would outweigh this and provide more stakeholder access and awareness.</p> <p>The costs related to the administration of the SIAHD are relatively minimal and low scale and the Board and Ministry are actively working together to improve</p>	<p>January 2022</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		delivery by having regular meetings, tour(s) of potential future development spots, enhancing policies and procedures to improve customer service and delivery expectations to clients, along with garnering stakeholder feedback to consider new development sites.	
<p>2. <u>No board meetings held during the year (reiterated from prior year).</u></p> <p>During the audit, it was noted that there were no board meetings held during the year. This is contrary to best practice and the requirements of section 17(1)(a) of the Public Authorities Act (2020 Revision).</p>	<p>Risk/Implication:</p> <p>Ineffective Board oversight of the Corporation.</p> <p>Non-compliance with the Public Authorities Act (2020 Revision).</p> <p>Recommendation:</p> <p>The Board should meet regularly (at least once every quarter as required by law).</p>	<p>Recommendation accepted.</p> <p>New Board appointed post-election has already met twice in 2022 and intends to have at least two more meetings before the end of 2022.</p>	<p>January 2022</p>
<p>3. <u>Delayed output revenue billings.</u></p> <p>The Corporation earned approximately \$28 thousand in output revenue during the year.</p>	<p>Risk/Implication:</p>	<p>Recommendation accepted.</p> <p>With the change in Board there was a delay in Cabinet invoice billing.</p>	<p>July 2022</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>However, management did not bill Cabinet for any of this output revenue in 2021 and the Output revenue remained unbilled as of April 19, 2022 when the Corporation's financial statements were signed.</p>	<p>The Corporation may not be able to meet its financial obligations as and when they fall due.</p> <p>Recommendation: Management should ensure that output revenue is billed and collected from Cabinet on a regular basis.</p>	<p>This is being remedied and will be resolved soonest.</p>	
<p>4. Updating of bank account signatories. The Cabinet appointed a new Board Directors for the Corporation effective October 8, 2021. We noted that some members of the Corporation's previous Board of Directors were still signatories to its bank accounts held with Cayman National Bank.</p>	<p>Risk/Implication: Poor governance and control over the Corporation's finances.</p> <p>Recommendation: Management should ensure that its bank account signatories are updated promptly whenever necessary.</p>	<p>Recommendation accepted.</p> <p>The current Board, which started active duty in 2022, is in the process of adjusting signees by providing the required due diligences documentations required by the bank.</p>	<p>Between Q 3 – Q 4 of 2022</p>