



**SISTER ISLANDS AFFORDABLE HOUSING  
DEVELOPMENT CORPORATION**

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**Report to those charged with governance on the 2022 audit**

**July 2023**

*To help the public service  
spend wisely*

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# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the 31 December 2022 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 2022 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 (2021 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](http://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.

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#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on 13 October 2022, to which this engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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#### 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 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. There are no unresolved exceptions from our review.
7. We have not reviewed any other documents containing the Corporation's audited financial statements.

#### CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

8. 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 Chairman of the Board of Directors 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

9. We have issued an unmodified opinion with an emphasis of matter paragraph in the Auditor General's report on the 2022 financial statements. The emphasis of matter paragraph highlights that the Corporation did not build or sell any houses in 2022 even though its primary objective is to promote affordable home ownership for the Caymanian public in the Sister Islands.
10. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no uncorrected misstatements arising from the audit.

11. 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 24 April 2023.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

12. 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.

### 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)
  - Deficiencies in maintaining books and records
  - No quorum for a Board Meeting

- Register of Interests not provided

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

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#### 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.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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#### DISAGREEMENTS WITH MANAGEMENT

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

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#### 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 Corporation's staff for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within a reasonable timeline.

Yours sincerely,



**Sue Winspear, CPFA**  
Auditor General



## APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Number	Name	Identified by	Account No	Debit	Credit
1	Prepayment	OAG	20400	676	
	Audit Fee (income statement)		62300		(676)
	Receipts from Cabinet		42600	676	
	Outputs to Cabinet		11002		(676)
	<i>To record a credit, note from OAG regarding prior year audit fees, and adjust Output Revenue accordingly.</i>				
2	Outputs to Cabinet	OAG	11002	222	
	Accounts Payable		20000		(222)
	Administration & Other Expenses: Office Supplies		64900	222	
	Receipts from Cabinet		42600		(222)
	<i>To accrue for 2022 expenses paid in 2023, and adjust Output Revenue accordingly.</i>				
				<b>1,796</b>	<b>(1,796)</b>

**APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS**

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p><b>1. Value for money (reiterated from the prior year)</b></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, 2021 and 2022.</p>	<p><b>Risk/Implication:</b> The Corporation is not providing value for money for the funding it receives from Cabinet.</p> <p><b>Recommendation:</b> 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>The current Board was established late in 2021 and has actively been pursuing the deliverables as per the Purchase Agreement for 2022-23, including preparing for future developments by reviewing potential development sites and deciding on enhancement of policies and procedures to improve the customer service delivery. Operationally, steps have been taken to garner stakeholder feedback to consider new development sites, the development of affordable housing options and architectural plans as well as initiating the procurement</p>	<p>Q3, 2021</p> <p>SIAH anticipates that some infrastructure work will take place in 2023.</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		process to facilitate the construction of affordable homes.	
<p><b>2. <u>Deficiencies in maintaining books and records</u></b></p> <p>We noted deficiencies in maintaining books and records as detailed below:</p> <ul style="list-style-type: none"> <li>The Corporation did not have copies of several invoices readily available for inspection during the audit.</li> <li>The draft financial statements provided by the Corporation for review during the audit could have been of better quality.</li> <li>The Corporation's lease agreement for the premises it occupies at 83B, West End Road, Cayman Brac expired on 31 May 2022. The Corporation did not sign an updated lease agreement with its landlord until March 2023, more than eight months later.</li> </ul>	<p><b>Risk/Implication:</b></p> <p>The audit will be delayed, and the Corporation may miss the statutory reporting deadline. In addition, without complete accounting records, the audit opinion on the Corporation's financial statements may be modified.</p> <p>Without an up-to-date lease agreement, there is an increased risk of potential disputes between the Corporation and its landlord about the Corporation's tenancy.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that it maintains complete books and records and provides quality deliverables for the audit.</p> <p>In addition, management should ensure continuity by signing extensions to its lease agreement before expiry.</p>	<ul style="list-style-type: none"> <li>The state of the accounts was of material quality as accruals were made for invoices that were not received, particularly utility invoices that were delayed due to reasons beyond the Corporation's control.</li> <li>We note that the majority of revisions stemming from the Audit review pertained to formatting. The Corporation changed accountants following the 2022 financial year, and some onboarding challenges were encountered. New accounting templates have now been prepared which will avoid a repeat of the challenges encountered during the 2022 review.</li> <li>The Lease Agreement which was signed by the lessor was inadvertently pending SIAHC's signature but is now fully executed.</li> </ul>	<p>Current Lease executed in May 2023.</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p><b>3. <u>No quorum for a Board Meeting</u></b></p> <p>Section 17(1)(g) of the Public Authorities Act (2020 Revision) (the “Act”) states that the quorum of a board shall be a simple majority of the board members who are entitled to vote.</p> <p>Section 9(6)(c) of the Act states that public or civil servants appointed to boards by Cabinet are not entitled to vote.</p> <p>The Corporation’s Board of Directors meeting held on 18 February 2022 had three directors entitled to vote in attendance, but four were absent. Therefore, the Board meeting did not have a quorum.</p>	<p><b>Risk/Implication:</b></p> <p>Without a quorum, Board decisions or approvals made are invalid.</p> <p><b>Recommendation:</b></p> <p>The Board of Directors should ensure that a quorum is present for all its meetings.</p>	<p>A quorum was present for the meeting however one director was inadvertently minuted as absent.</p>	<p>N/A</p>
<p><b>4. <u>Register of Interests not provided</u></b></p>	<p><b>Risk/Implication:</b></p>	<p>The sole exception is noted. SIAHDC will continue to seek the requisite</p>	<p>January 2023</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>Management did not obtain a register of interests from one Board member for the 2022 financial year.</p>	<p>Without up to date Registers of Interests, management will not be able to detect and resolve potential conflicts of interest.</p> <p>In addition, the related party disclosure in the financial statements will be misstated if related party transactions are not identified and disclosed.</p> <p><b>Recommendation:</b> Management should ensure that it collects Registers of Interests forms for all current employees and Board members. The forms should be used to detect and manage conflicts of interest (if any).</p>	<p>disclosures from all directors at the beginning of each fiscal year.</p>	