



**SISTER ISLANDS AFFORDABLE HOUSING
DEVELOPMENT CORPORATION**

Report to those charged with governance on the 2023 audit

May 2024

*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 2023 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 2023 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.

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 dated 31 October 2023, 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 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 two emphasis of matter paragraphs in the Auditor General's report on the 2023 financial statements.
 - The first emphasis of matter paragraph highlighted that the Corporation did not build or sell any houses in 2023 even though its primary objective is to promote affordable home ownership for the Caymanian public in the Sister Islands.
 - The second emphasis of matter paragraph highlighted that the Cabinet authorised supplementary funding of \$1.5 million for the Corporation under section 11(5) of the Public Management and Finance Act (2020 Revision) (PMFA). However, a supplementary

Appropriation Bill for the funding was not introduced in Parliament by 31 March 2024 as required by section 11(6) of the PMFA.

10. A summary of corrected audit misstatements is included in Appendix 1. A summary of uncorrected audit misstatements is included in Appendix 2.
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 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

12. We are responsible for providing our views about qualitative aspects of the Corporation's 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. Management has made significant judgments and estimates with regard to the following financial statement items:
 - The useful lives of items of property & equipment and revaluation of land
 - Provisions for expected credit losses.

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. Details are included in Appendix 3 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 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,



Angela Cullen
Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED AUDIT MISSTATEMENTS

Number	Name	Identified by	Account No	Debit	Credit
1	Construction in Progress	OAG	12600	8,570	
	Furniture and Equipment		15000	1,137	
	Accrued Expenses		21001		(9,707)
	<i>To record amounts payable to the Ministry of District Administration and Lands (MDAL) for costs MDAL paid on the Corporation's behalf.</i>				
	Total			9,707	9,707

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Unrecorded – factual; DR/ (CR)						
Account name	Description	Assets	Liabilities	Equity	Income	Expenses
		CI\$	CI\$	CI\$	CI\$	CI\$
Interest receivable	Being accrued interest on fixed deposits	1,864	-	-	-	-
Interest income		-	-	-	(1,864)	-
Receipts from Cabinet		-	-	-	1,864	-
Outputs to Cabinet Due		(1,864)	-	-	-	-
Understated/(Overstated)		-	-	-	-	-

APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. Value for money (reiterated from the prior year)</p> <p>The Corporation's main purpose is to promote affordable home ownership for the Caymanian public in the Sister Islands. However, the Corporation has not built or sold any houses since 2020.</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>In continuation of plans to build and sell affordable homes, the SIAHDC during the 2023 financial year, among other initiatives: relaunched the affordable housing campaign, provisionally approved a number of applications, updated housing and subdivision plans, cleared and subdivided land into individual lots to facilitate construction, and are currently at an advanced stage of initiating the procurement of contracts to facilitate construction and sale of affordable homes within the 2024/25 budget period.</p> <p>Funds received from Cabinet are held on deposit with a local class A Bank so there is no loss in value for money. In addition, all expenditure of the SIAHDC directly relate to works needed for construction of homes while the minimal annual operating expenses mostly relate to accounting fees and the annual audit.</p>	<p>Expected final construction/sale of affordable homes in 2024/2025</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>2. The Corporation did not have a Board of Directors (Board) for about 2 months in 2023</p> <p>Section 8(1) of the Public Authorities Act (2020 Revision) (PAA) requires all public authorities to have a Board.</p> <p>The term of office of the Corporation's Board expired on 31 August 2023. The Cabinet re-appointed seven (7) members of the Board on 24 October 2023, with effect from 1 September 2023. In addition to the re-appointments, the Cabinet added an additional three (3) new appointments with an effective date as of October 2023. Therefore, the Corporation did not have a Board for about two months.</p>	<p>Risk/Implication:</p> <p>Non-compliance with the PAA. In addition, the Board could not undertake its legal responsibilities for governance and general administration and oversight of the Corporation's affairs for two months.</p> <p>Recommendation:</p> <p>The Corporation and the Ministry of District Administration and Lands should work with the Cabinet to enable timely appointments of persons to the Corporation's Board.</p>	<p>The Corporation continued to operationalize plans and initiatives which were pre-approved by the Board and also provided a progress update shortly after re-appointment of the Board by Cabinet effective September 1st, 2023. As an indication of business continuity, SIAHDC (with the Board's approval) launched the SIAHDC's website landing page, relaunched the affordable housing campaign, and completed the Business Case as a pre-cursor to the procurement of contractors, among other initiatives that were engaged by the end of 2023.</p>	<p>The Corporation has an active Board in place.</p>