



SISTER ISLANDS AFFORDABLE HOUSING DEVELOPMENT CORPORATION

Report to those charged with governance on the 2024 audit

July 2025

*To help the public service
spend wisely*

TABLE OF CONTENTS

Introduction	4
Auditors responsibilities in relation to the audit	4
Auditor’s responsibility under International Standards on Auditing.....	4
Responsibilities of Management and Those Charged With Governance	5
Other information in documents containing audited financial statements:.....	5
Conduct, approach and overall scope of the audit	5
Audit report, adjustments and management representation	5
Significant findings from the audit.....	6
Significant accounting practices	6
Management’s judgments and accounting estimates.....	6
Going concern doubts.....	6
Significant and other deficiencies in internal control.....	6
Fraud or illegal acts.....	6
Significant difficulties encountered during the course of our audit.....	7
Disagreements with management.....	7
Any other significant matters	7
Acknowledgements	8
Appendix 1 – Summary of corrected audit misstatements	9
Appendix 2 - Internal control matters & significant findings.....	10

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2024 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 2024 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 13 September 2024, 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. 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 on the 2024 financial statements.
10. Appendix 1 shows a summary of corrected audit misstatements. There were no uncorrected audit misstatements.
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 22 April 2025.

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 judgments and estimates with regard to the following financial statement items:

- The useful lives of items of property and equipment.
- 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 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. In 2023, Cabinet transferred all of the Corporation's land parcels to the Crown which was then subdivided so that the Corporation could build affordable homes on these land parcels. In 2024, Cabinet decided to replace some of the transferred land parcels with other sub-divided parcels owned by Crown. These land transfers have been fairly presented in the financial statements.

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,



Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED AUDIT MISSTATEMENTS

Number	Date	Name	Identified by:	Debit	Credit
1	31/12/2024	Interest receivable	OAG	1,783	
		3300 Interest Income			(1,783)
		Being entry to record additional interest receivable based on the bank confirmation			
2	31/12/2024	12600 Construction in Progress	SIAHDC	168,070	
		20000 Accounts Payable			(168,070)
		Being entry to record accrual for construction work completed before year end			
		Total		169,853	(169,853)

APPENDIX 2 - 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:</p> <p>The Corporation is not providing value for money for the funding it receives from Cabinet.</p> <p>Recommendation:</p> <p>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>During 2024, the Corporation made significant strides in advancing its plans to construct affordable homes. Key efforts included subdividing lands into smaller parcels, conducting site preparation through clearing and filling, and initiating the solicitation of bids from qualified contractors. With the procurement process now completed, the next step is to assess the engagement of contractors to commence construction of four homes in 2025.</p>	<p>Q2 – Q4, 2025</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>2. Non-compliance with Public Authorities Act (2020 Revision) (PAA)</p> <p>Section 17(1)(a) of the Public Authorities Act (2020 Revision) (PAA) requires the Board of a public authority to meet at least once every three months.</p> <p>The Corporation's Board met on 31 January 2024, 21 February 2024, 19 July 2024 and December 19, 2024 which does not meet the PAA's minimum requirement.</p>	<p>Risk/Implication: Non-compliance with the PAA. In addition, the Board cannot effectively perform its oversight role if it does not meet regularly.</p> <p>Recommendation: The Board of Directors should meet at least quarterly as required by the PAA.</p>	<p>During 2024, the Board of Directors convened four times, with two meetings held in the first quarter, one at the start of the third quarter, and another in the fourth quarter. While efforts were made to adhere to the Public Authorities Act (2020 Revision) requirement of meeting at least once every three months, scheduling challenges prevented full compliance. Moving forward, the Board remains committed to ensuring meetings occur quarterly, in alignment with statutory obligations.</p>	Q4, 2025
<p>3. Deficiencies in contract management</p> <p>In June 2023, the Ministry of District Administration and Lands (the Ministry) signed an agreement with a vendor</p>	<p>Risk/Implication: The Corporation will incur financial loss if it pays more money than is due. Property and</p>	<p>The Agreement in question was between the Ministry of District Administration &</p>	

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>to provide the Corporation with approved architectural drawings for affordable homes. The agreed contract price was \$13,000. The Corporation is responsible for reimbursing the Ministry for fees paid to the vendor.</p> <p>As of December 2024, the Ministry had invoiced the Corporation for about \$22,000 in fees for the architectural drawings, or an additional \$9,000. The Ministry did not give us supporting evidence, e.g. a signed contract, for the extra \$9,000 payment.</p>	<p>equipment in the financial statements may be misstated.</p> <p>Recommendation: The Corporation should ensure safeguards are in place to ensure that it does not pay more money than is due for services provided.</p>	<p>Lands and the vendor in relation to services for various Ministry led projects and which also included services engaged on SIAH's behalf. SIAH was in turn billed by MDAL for the value of services which were validated by MDAL's project team as undertaken on the Corporation's behalf. Contract Management, verification and disputing of services provided under said contract were undertaken by the Ministry.</p>	