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PRESS RELEASE

Public sector entities' financial reporting is good but more needs to be done

Today, the Office of the Auditor General (OAG) published its annual general report on the state of financial reporting in the Cayman Islands: *"Financial Reporting of the Cayman Islands Government: General Report 31 December 2021"*. This report summarises the financial results and audit opinions given to public bodies for the 2021 year and provides a host of information about the financial health of public bodies. It notes that, to date, 43 public bodies have received unqualified audit opinions, and six public bodies and the consolidated Entire Public Sector (EPS) account have their 2021 audits outstanding.¹

Auditor General, Sue Winspear says, "While the story is of progress regarding financial reporting at the individual public body level, the Government must enhance its focus on the entire public sector account." She goes on to say "The Government needs to develop and implement an action plan to improve the quality of the consolidated financial statements of the entire public sector, which sets a roadmap for moving from an adverse opinion to a qualified audit opinion in the first instance and an unqualified one in the longer term."

The Auditor General has made seven formal recommendations in the General Report to bring about improvement.

The Auditor General states, "Section 47 of the Public Authorities Act which came into force in June 2019, aims to bring the remuneration and terms and conditions of staff working in Statutory Authorities and Government Companies (SAGCs) in line with the civil service. Some SAGCs have yet to complete this process to be compliant with the Act." Ms Winspear continues, "However, I am more concerned that the Government estimates the full cost of harmonising all staff terms and conditions in line with section 47(3) before this provision of the Act is implemented by SAGCs. I note that in 2021, the Health Services Authority were the first to adopt the same pension contribution framework as the Civil Service and if all SAGCs do the same, the additional cost to the Government will be significant. After quantifying the potential cost impact, Government will need to take a policy decision on whether to amend the Act or provide SAGCs with sufficient funding in their future budgets to pay for this."²

The Auditor General says, "During the 2021 financial year, there were significant issues that affected the whole of the Cayman Islands Government and I would have expected the Ministry of Finance and Economic Development to provide better leadership on these matters"³ Ms. Winspear says, "Many departments were transferred into new ministries in July 2021 after the May elections, which meant the assets, along with liabilities and budgets, had to be transferred. The Ministry of Finance did issue guidance on this but the process was not well handled and instead of all balances for new departments being agreed by the

timescale set, many dragged on until after the year end, affecting the quality of draft financial statements and the accuracy of balances included.” The Auditor General adds, “For this reason, several Ministries missed the statutory deadline for the completion of their audits.” Winspear added “I want, however, to pay tribute to the Civil Service finance teams and my audit staff for their perseverance in working through these matters. The reorganisation of Government also meant that my staff had a further seven audits to complete in 2021 compared to 2020.”

The report continues to highlight the need for better reporting of public bodies’ performance against the agreed outputs and outcomes. Ms Winspear says, “Public bodies should assess and report their performance against the outputs and outcomes agreed in the budget. This is essential information to enable users to determine whether resources have been used effectively and efficiently.”

More information about the report can be obtained by contacting Sue Winspear at (345) 938-3201 or Patrick Smith, Deputy Auditor General at (345) 244-3204.

This report is attached and can also be found at www.auditorgeneral.gov.ky.

Notes to the editor:

1. 43 out of 50 public sector entity audits for 2021 have been completed to date. The seven audits outstanding are for the Ministry of Health and Wellness, Cayman Islands Airports Authority, Cayman Turtle Conservation & Education Centre, Ministry of Financial Services and Home Affairs, Ministry of Investment, Innovation and Social Development, Ministry of Financial Services and Commerce and the Entire Public Sector.
2. See paragraphs 59 to 63 in the report.
3. See paragraphs 82 to 89 in the report.