Office of the Auditor General
CAYMAN ISLANDS

Governance in Aviation Bodies
Summary Of Key Findings



Cayman Islands Department of Tourism

July 2017

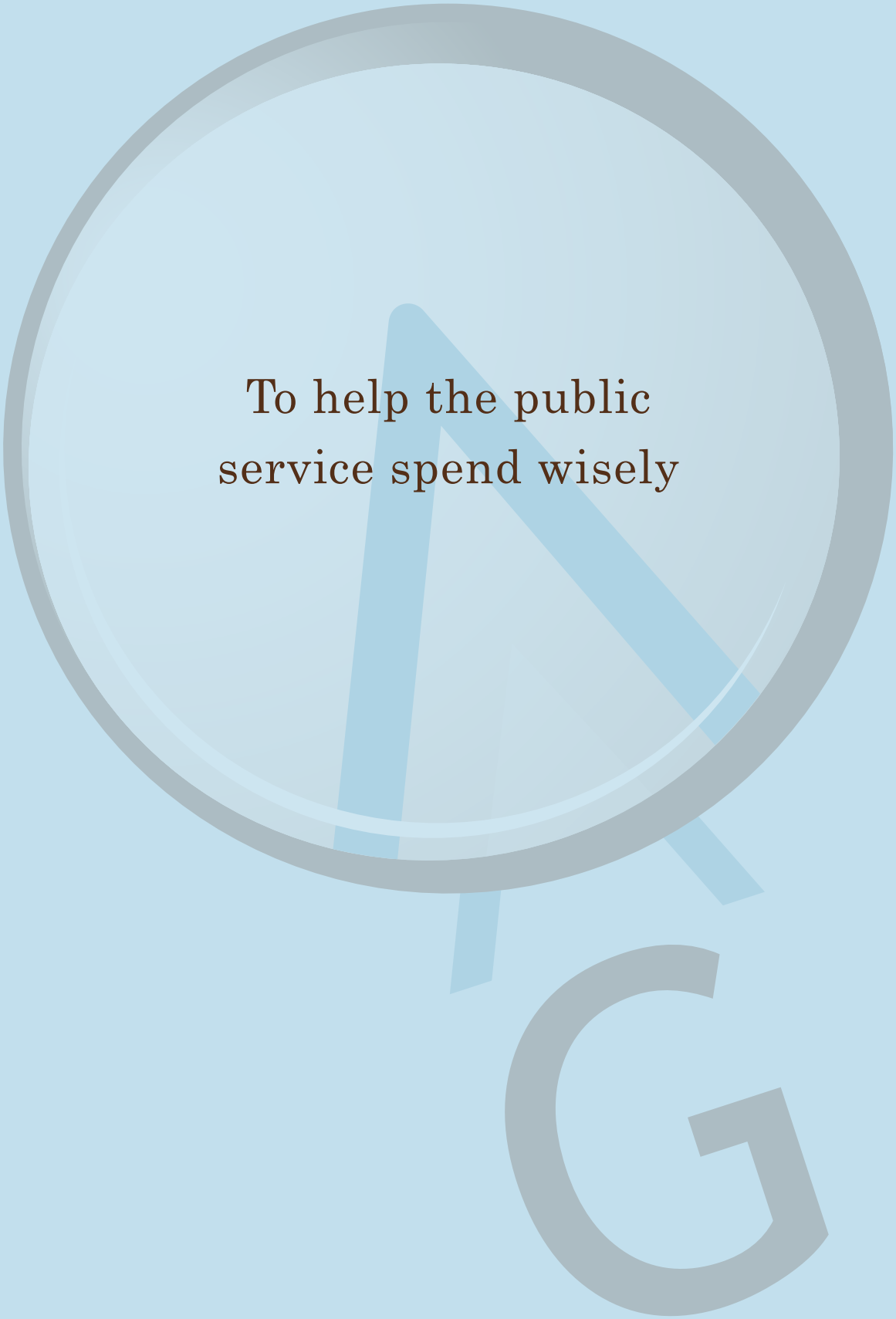

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EXECUTIVE SUMMARY

In December 2013, the Office of the Auditor General issued two reports on the Governance of Statutory Authorities and Government Companies (SAGCs) in the Cayman Islands. [1,2] The reports identified weaknesses in governance arrangements and the accountability relationship with core government. In summary the main findings from the audit were:

- The results expected to be delivered by SAGCs are not clearly stated.
- There is general confusion around the roles and responsibilities within the accountability framework.
- Very few SAGCs produce an annual report describing their activities and providing information about their results.

With a view to measuring progress against these reports and their recommendations we carried out a review of governance in the three aviation bodies:

- Civil Aviation Authority of the Cayman Islands (CAACI)
- Cayman Islands Airport Authority (CIAA)
- Cayman Airways Ltd. (CAL)

Each body is different, as are the arrangements it has in place. The audits covered different periods, ranging from 1 July 2012 to 31 December 2015 depending on the entity. Because of this, we prepared separate reports for each body containing specific recommendations for improvement. We issued, discussed and agreed these reports with the entities over the last year. Since then, all of them have taken action to implement the recommendations made.[3] During May 2017 we revisited each of the three bodies to get an update on progress with implementing the recommendations.

We have prepared this report to inform the Public Accounts Committee of the common findings of the three audits and provide assurance that action is being taken.

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[1] *The Accountability of Statutory Authorities and Government Companies*, Office of the Auditor General, December 2013

[2] *A Survey of Statutory Authority and Government Company Governance,* Office of the Auditor General, December 2013

[3] Cayman Airways Limited was last to receive its report and has therefore had less time to implement the recommendations made.

This report provides a high-level summary of the common themes that emerged from the three audits. It identifies recommendations we would have made to Cayman Islands Government that have been addressed through the recently passed *Public Authorities Law 2017* and makes some additional recommendations to government that could further strengthen governance in SAGCs. Appendices 2 to 4 summarise the recommendations made to each entity, their management responses and actions taken and planned as at May 2017. We have not audited the effectiveness of the new arrangements that have been put in place.

KEY FINDINGS

Cabinet needs to ensure proper rotation of board members - Each body is governed by separate legislation that sets out the requirement for boards of directors, how they should be appointed and governance arrangements that should be in place. None of the legislation makes specific reference to the need for rotation of board members. Proper and planned rotation of board members is important as it allows for fresh perspective and challenge. It needs to be planned well as changing too many members at the same time could result in a significant loss of expertise and corporate memory. To allow sufficient rotation to happen there needs to be a strong and wide pool of potential board members.

Boards need to provide a strategic focus - Boards should focus on the organisation's purpose and outcomes for citizens and services users. Each body has a clear purpose, which is set out in legislation. However, board members did not have a consistent understanding of the purpose and, at the time of our audit, only one of the bodies had developed a strategic plan.

Boards need to discuss and approve important documents - SAGCs are required to have Ownership Agreements with the Government and prepare Annual Reports. These are key strategic documents for boards as they set out what the entities are expected to achieve and summarise their performance and achievements. We found that not all boards were discussing or approving these documents before they were submitted to government.

Board members need to be clear about their roles and responsibilities - To be effective, board members and staff need to be clear about their roles and responsibilities. We found that not all board members were clear about their roles and responsibilities. None of the bodies had a written description that clearly articulated what they expected from board members. Relevant legislation sets out the role of the Chief Executive Officers (CEOs). However, we identified instances where the same legislation also suggested that boards should be involved in determining the organisational structure and approving remuneration and terms and conditions for employees. These are operational matters that should be the responsibility for the CEO. There should be a clear distinction between the roles and responsibilities of boards and CEOs to ensure strong governance. It is difficult for a board to hold the CEO to account if they have been involved in operational decisions.

Boards need to review CEO job descriptions - Each of the CEOs had job descriptions. These were generally clear and comprehensive but had not been regularly reviewed to ensure that they remained fit for purpose.

Bodies need to have clear processes for transparent decision making - Good governance expects that boards make informed and transparent decisions that are free from any conflicts of interest. None of the bodies had policies in place that set out the approvals process for decision making e.g. which decisions had been delegated to management or were reserved for the board. There is a risk that boards may focus on the wrong issues i.e. they are not making decisions on issues that they should be or are making operational decisions that should be responsibility of the CEO and senior management. We also found that supporting papers and reports for board decisions were not always retained. It is important that evidence is retained to demonstrate that informed and transparent decision making took place.

Cabinet needs to consider the skills and experience needed by bodies when appointing board members - The Cabinet is responsible for appointing board members for each of the bodies. We found that board members had been appointed without consulting with the board to discuss any specific skills that may be required.

Board members need better training - New board members were provided with orientation training and some had attended workshops. These are positive steps. However, training could be strengthened to ensure that it covers roles and responsibilities and is provided on a regular basis to ensure that skills and knowledge are current and cover specific subjects as necessary.

Bodies need to improve their engagement with stakeholders - Stakeholder engagement is essential for the success of any organisation. Bodies had clear and well established relationships with the Government but not all boards were actively or routinely engaging with other stakeholders.

CONCLUSION

Overall, we concluded that a number of the issues that we identified in our original report on governance of the SAGCs in December 2013 remained. As a result, we identified a number of recommendations for the SAGCs and Cayman Islands Government.

Since our audits were completed, all three bodies have taken actions and plan to take further action to improve their governance arrangements. We are pleased with the progress made and that further actions are planned during 2017.

In response to our original report, the Government drafted legislation to strengthen governance in the SAGCs in the form of the *Public Authorities Law 2017*. This legislation addresses some of the recommendations that we would have made to Government in this report relating to:

- Ensuring adequate and proper rotation of board members to provide both consistency and challenge.
- Being clear about the roles and responsibilities of board members; and ensuring there is a clear distinction between the strategic role of the board versus the operational role of the Chief Executive Officer and senior management.
- Identifying the skills and experience that every board needs and considering these when making appointments. The *Public Authorities Law 2017* specifically mentions corporate governance; strategic and financial management; and the scope of business, outputs and operations of the public authority.
- Ensuring that adequate induction training is provided to all new board members.

The Legislative Assembly passed the *Public Authorities Law 2017* in March 2017. At the time of preparing this report, the Law has not been brought in to force by Cabinet.

RECOMMENDATIONS

Appendices 2 to 4 summarise the recommendations made to each entity and the actions taken and planned as at May 2017. We have not audited the effectiveness of the new arrangements that have been put in place.

In addition to the recommendations made to individual entities we identified a number of recommendations for government. As outlined above, some of these have been addressed through the *Public Authorities Law 2017* that was passed by the Legislative Assembly in March 2017 but has not yet come in to force. In making these recommendations, we have assumed that the new Law will be brought in to force soon and all of its provisions enforced. In addition to the new Law, we have identified a number of additional recommendations for government that we believe would further strengthen governance in SAGCs.

The Cayman Islands Government should, in addition to enforcing the *Public Authorities Law 2017*:

- Develop plans to widen the pool of potential board members for now and the future, taking in to account: needs, including any specialist expertise that may be needed; a diverse range of views and backgrounds; and the population of Cayman Islands.
- In making appointments to boards, consult with the SAGC to establish whether any specific skills or expertise are required in the period ahead.
- Support SAGCs by providing induction training to new board members to ensure that consistent messages are provided on the roles and responsibilities of board members.
- Provide ongoing training on national and international developments and good practice that all board members should be aware of.
- Provide networking opportunities for board members from across public authorities to share their experiences and learn from each other.

- Ensure that Ministries and Portfolios lay all annual accounts and reports in the Legislative Assembly, including those of SAGCs, within the statutory timescales.



10th July 2017

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Date

ABOUT THE AUDIT

1. Our audit objective was to determine the extent to which the Cayman Islands Government (CIG) and the boards of directors of three government-owned entities have in place governance frameworks that are delivering positive outcomes for government and positive results for the entities' customers and stakeholders.

2. We examined the three aviation bodies as part of this audit including:
    - Civil Aviation Authority of the Cayman Islands (CAACI)
    - Cayman Islands Airport Authority (CIAA)
    - Cayman Airways Ltd. (CAL)

3. The CAACI is a statutory authority. It is responsible for the regulation of civil aviation in the Cayman Islands, the safety of air navigation and aircraft, the regulation of air traffic, the certification of operators of aircraft and the certification and licensing of airports.

4. The CIAA is a statutory authority. It is responsible for the planning, development, construction, maintenance and management of the Owen Roberts International Airport in Grand Cayman and the Charles Kirkconnell International Airport in Cayman Brac. It must ensure that both airports conform to the aviation safety standards and recommended practices set out by the International Civil Aviation Organization (ICAO).

5. CAL is a government company incorporated under the Companies Law. It was established in August 1968 and is owned by the Cayman Islands Government which is its only shareholder. As the national flag carrier for the Cayman Islands, CAL operates jet services between Grand Cayman and five major United States cities: Miami, Tampa, Washington, New York and Chicago. Nonstop jet service is also provided to regional destinations in Jamaica, Cuba and Honduras. Through CAL's subsidiary, Cayman Airways Express service is provided between Grand Cayman and the Sister Islands of Little Cayman and Cayman Brac.

6. The scope of the audit included an examination of the governance practices between government and the entities and an examination of governance practices within the entities. The period covered for our audit was from 1 July 2012 to 31 December 2015, depending on the entity.

AUDIT CRITERIA

7. In 2004 The Independent Commission of Good Governance in Public Services, a UK Commission, published, *The Good Governance Standard for Public Services*.[4] The Commission found that "*good governance leads to good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes*". It also found that there was "*no common code for public service governance to provide guidance across the complex and diverse world of public services, which are provided by the public sector and a range of other agencies*."

8. The Commission set out six core principles of good governance for public service organisations (Appendix 1). We have referred to these principles in our previous audit work on governance and use them as a benchmark for measuring good governance in SAGCs.

9. In planning our work we identified seven audit criteria or expectations. The first relates to governance requirements set out in legislation for government and the entity. The other six are related to governance practices within the entity. All of the criteria are based on recognised good practice.

10. The first criterion recognises that current legislation establishes a governance framework, with specific procedures to be followed by both the Government and the entity. The next six criteria apply only to the entity and are based on the "Six Principles or Standards of Good Governance". The audit criteria are as follows:

    - Government and the entity are complying with the legislative requirements related to good governance.
    - The Board of Directors is focused on the entity's purpose and on outcomes for citizens and service users.
    - The Board and staff are performing effectively in clearly defined functions and roles.
    - Both the Board and staff of the entity promote values for the whole organization and demonstrate the values of good governance through behaviour.
    - The Board makes informed, transparent decisions and when making such decisions individual board members are free of any conflicts of interest.
    - Board members have the necessary skill, knowledge and experience to perform well, both individually and as a group.
    - The Board takes an active and planned approach for engaging stakeholders.

[4] The Good Governance Standard for Public Services, The Independent Commission on Good Governance in Public services, 2004

11. In carrying out this work, we interviewed key officials in the three entities and government, carried out a survey of board members and reviewed a range of documents.

12. We gratefully acknowledge the cooperation and assistance we received from officials in the Civil Aviation Authority of the Cayman Islands; Cayman Islands Airport Authority; and Cayman Airways Ltd. Without their help, the audits could not have been completed.

APPENDIX 1 – THE SIX CORE PRINCIPLES OF GOOD GOVERNANCE

The six core principles and their supporting principles

Good governance means focusing on the organisation's purpose and on outcomes for citizens and service users.	• Being clear about the organsiation's purpose and its intended outcomes for citizens and service users. • Making sure that users receive a high quality service. • Making sure that taxpayers receive value for money.
Good governance means performing effectively in clearly defined functions and roles.	• Being clear about the functions of the governing body. • Being clear about the responsibilities of non-executives and the executive, and making sure that their responsibilities are carried out. • Being clear about relationships between governors and the public.
Good governance means promoting values for the whole organisation and demonstrating the values of good governance through behaviour.	• Putting organisational values into practice. • Individual governors behaving in ways that uphold and exemplify effective governance.
Good governance means taking informed, transparent decisions and managing risk.	• Being rigorous and transparent about how decisions are taken. • Having and using good quality information, advice and support. • Making sure that an effective risk management system is in operation.
Good governance means developing the capacity and capability of the governing body to be effective.	• Making sure that appointed and elected governors have the skills, knowledge and experience thet need to perform well. • Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group. • Striking a balance, in the memberships of the governing body, between continuity and renewal.
Good governance means engaging stakeholders and making accountability real.	• Understanding formal and informal accountability relationships. • Taking an active and planned approach to dialogue with and accountability to the public. • Taking an active and planned approach to responsibility for staff. • Engaging effectively with institutional stakeholders.

Note: 'Governing body' means the body with overall responsibility for directing and controlling the organization; 'Governor' means member of the governing body, whether elected or appointed.

Source: The Good Governance Standard for Public Services

APPENDIX 2 – CIVIL AVIATION AUTHORITY OF THE CAYMAN ISLANDS – RECOMMENDATIONS, MANAGEMENT RESPONSE AND ACTIONS TAKEN AND PLANNED

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
1) We recommend that the Board of Directors comply with the provisions of the *Civil Aviation Authority Law (2015 Revision)* (the CAA Law) and take responsibility for all functions set out in section 5 including civil aviation safety.	The Board accepts this recommendation.	CAACI has carried out a legal review as a result of the audit. This included clarifying what the Board of Directors and the Governor are responsible for. The review was discussed and agreed by the Board.	
2) We recommend that the Board of Directors request the CIG to ensure that when appointments are made to the Board that term expiry dates be set to ensure there will be an orderly rotation of board members.	The recommendation is accepted. While there is value to the rotation and the bringing of fresh ideas and talent, it is important to recognise the practicality of finding qualified, competent and willing members to serve. Also, as the subject matter is one that is highly specific and technical and the local pool is limited, one has to be cautioned not to rotate for the sake of rotating only and sacrifice institutional learning and consistency and continuity.		

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
3) We recommend that the goals and objectives reported in the Annual Ownership Agreement be strategic, consistent with the mandate, be measurable and approved by the Board.	Agreed. Since the investigative work was commenced on this report back in 2014, the CAACI engaged a strategic consultant to assist with refining the strategic Plan for the next 5 years. As such, goals and objectives reported in the Ownership Agreement (OA) will be strategic in nature and consistent with the Strategic Plan. The Budget and OA for 2016- December 2017 were discussed at a board meeting on 10 March 2016 where the Board had opportunity to contribute to the objectives in the OA. Queries and suggestions posed were discussed with Director Finance & Compliance and the Board via email and the final OA was signed by the Chairman on 2 May 2016.	The CAACI Board approved its 5-year Strategic Plan in October 2016. This includes strategic goals and objectives and these are aligned with the Ownership Agreement.	CAACI plans to carry out annual reviews of its Strategic Plan, in line with the Ownership Agreement and Budget timetable, to ensure that it remains fit for purpose.
4) We recommend that the Board be engaged in the identification of the risks facing the CAACI and formally give its approval inclusion in the Ownership Agreement.	Agreed. During the 2016 Strategic Planning process a new Risk Register was developed as a result of the integrative strategic retreat meetings between board, management and staff. The Risk Register has been compiled following best practice standards and seeks to identify strategic, operational, financial, and reputational risk. It rates the risks factors, mitigation efforts and residual risks, and is included in the Annual Report (AR). The AR	CAACI developed a new Risk Register in 2016, which involved staff, management and the Board.	The Board will review the Risk Register annually. Management review the Risk Register regularly and it is integrated in to the regulatory process.

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
	for the period 2015 – 2016 was fully endorsed and approved by the board of directors at the 11 October 2016 meeting along with the draft 5-year Strategic Plan.		
5) We recommend that the CAACI's Annual Report is filed with the Legislative Assembly within four months and two weeks of year end.	The management of the Authority has consistently met the legal deadline for submission of Annual Report and Financial Statements to the Portfolio of the Civil Service (PoCS); however, it is beyond CAACI control as to when they are tabled in the Legislative Assembly. We have been told in the past that PoCS wait to collate all reports under their Portfolio for a one-time submission to the Legislative Assembly rather than submit them when received.	None – CAACI's Annual Report and Financial Statements have consistently been submitted before the legal deadline.	
6) We recommend that the Board be actively involved in the strategic planning process and risk assessment for the CAACI and approves the final document.	This is now fully embedded in the process and in the latest strategic planning sessions of 2016, whereby the board, management, staff and other stakeholders were guided in the planning process by an external consultant and a refined and renewed Strategic Plan has been produced for the period 2016 – 2020, which has been endorsed and approved by the board on 11 October 2016.	The CAACI Board of Directors is now part of the strategic planning process.	CAACI plans to carry out annual reviews of its Strategic Plan, in line with the Ownership Agreement and Budget timetable, to ensure that it remains fit for purpose.

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
7) We recommend that a position description be prepared that set out the roles and responsibilities of Board members and reflects the reporting relationship between the Board, the Governor and Cabinet.	The Authority agrees with the recommendation. Cabinet input and guidelines will be key in preparing such position descriptions.		CAACI will review the roles and responsibilities of Board members specified in the *Public Authorities Law 2017* and ensure these are adopted.
8) We recommend that the *CAA Law* be reviewed to ensure that any section that conflicts with the provisions of 12(1) should be removed. It is also recommended that until such time as the appropriate amendments are made, the Board limits to the extent legally possible, decisions that will detract from the Director General being totally responsible for the management and administration of the CAACI.	The Authority agrees with this recommendation.		The *Public Authorities Law 2017* makes a clear distinction between the roles and responsibilities of the Board and the Director General.
9) We recommend that the Director General immediately commence reporting to the Board of Directors on all matters that the Board is responsible for under the *CAA Law*, that the job description of the Director General be updated, approved by the Board and reviewed periodically.	The Authority agrees with the recommendation.	The CAACI Board receives quarterly updates from management. These have been amended to include technical updates so that the Board receives all of the same information as HE The Governor.	

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
10) We recommend that the Board gives consideration to and approves those values and ethical behaviour it believes is important to be followed by Board members and for the organisation as a whole. This exercise could identify values that go beyond the ones prescribed in the *Public Service Management Law (2013 Revision)* due to the nature of the business. [5]	In addition to all staff signing off and acknowledging the guiding principles contained in the Code of Conduct from the *Public Service Management Law (PSML)*; the integrated and collaborative strategic retreat sessions identified renewed Strategic statements for the CAACI, i.e., vision, mission and values to be adopted and followed. These were accepted and endorsed by the board at the 11 October 2016 meeting when the Strategic Plan was approved. Publication of these approved strategic statements and dissemination will form a tactical execution plan for the next few months going forward.	The strategic statements are now embedded in the Annual Report.	
11) We recommend that the Board include a reference in the Director-General's job description to his responsibility to uphold and promote the values referenced in the PSML and any others approved by the Board.	The Board accepts this recommendation.	The Director-General Civil Aviation's job description has been amended to include reference to upholding and promoting the values referenced in the PSML.	

[5] The Public Service Management Law (2017 Revision) came into effect on 31 May 2017. There are no changes to the public service values.

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
12) We recommend that management consider using employee surveys or other means to obtain an understanding of the extent to which employees are aware of and are being guided by the values and ethics of the CAACI.	The recommendation is accepted. Management includes orientation and induction training for new employees and conduct team building activities and HR training from time to time. Employees are all given the PSML Code of Conduct and sign off on an acknowledgement and agreement to uphold. Values are considered as part of annual performance reviews.		
13) We recommend that the Board adopt a decision making policy that establishes the type of decisions that can only be made by the Board. The Policy should also specify that decisions to be made by the Board be always supported by a written report with recommendation from the Director-General.	The Board will accept this recommendation.	Papers are prepared for all items that require a Board decision.	CAACI will consider developing a decision making policy for the Board that is in line with the requirements of the *Public Authorities Law 2017*.
14) We recommend that consideration be given to the skill set and experience requirements to be an effective board member of CAACI and this information be included in the position description for a Board Member and this this is used to inform Cabinet of the desired qualities in the new board member.	The recommendation is accepted.		The *Public Authorities Law 2017* specifies certain skills that Cabinet will consider when making board appointments. In addition, the CAACI Board will develop a

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
			skills matrix that identifies any specialist or technical skills and expertise needed and discuss these with the Government.
15) We recommend that a formal orientation programme be developed to ensure new board members receive the necessary information to become effective in their new role as quickly as possible. This programme would include the roles and responsibilities of a board member as set out in the position description, the mandate and functions of CAACI, its strategic plan and business risks.	CAACI management provides a full comprehensive orientation that includes the CAA Law, an introduction to the Air Navigation (Overseas Territory) Order and its purpose, the current strategic plan, any financial overview, the CAACI Staff Handbook and Office Policies Manual, organization chart, roles and responsibilities of the management team and staff members, etc. for any newly appointed board member or fully appointed board. They are normally given any documentation to support this including the strategic plan, previous annual reports, copies of relevant laws, etc. The position descriptions will require Cabinet input and guidance.	CAACI provides an orientation for new Board members.	
16) We recommend that CAACI adopts a policy for on-going governance training for its board members.	Agreed.	Board members have attended various training sessions, including training provided by the OAG and on Freedom of	

Recommendation	Management response	Action taken (per CAACI)	Further action planned (per CAACI)
		Information.	
17) We recommend that the Board of Directors examine the relationships between the CAACI and its various stakeholders to identify opportunities for engagement that would lead to a better understanding of mutual interests and more efficient delivery of required services.	This was done during the recent Strategic Planning process with board, management and staff. The CAACI also from time to time facilitates group training and meeting sessions with Air Safety Support International that are geared towards the safety oversight mandate and the relevant industry audiences which this impacts. Furthermore, on the business side the CAACI facilitates workshops with the legal and financial industry partners that interact with the CAACI. There are also ongoing meetings with Cabinet, Caucus, Ministries and the Governor as necessary to keep those stakeholders aware of developments and progress.	In developing the Strategic Plan the Board considered its relationships and engagement with stakeholders. CAACI invites relevant stakeholders to strategic retreats and training sessions.	

APPENDIX 3 – CAYMAN ISLAND AIRPORT AUTHORITY – RECOMMENDATIONS, MANAGEMENT RESPONSE AND ACTIONS TAKEN AND PLANNED

Recommendation	Management response	Action taken (per CIAA)	Further action planned (per CIAA)
1) The Government should set desired qualifications and experience requirements for individuals to be appointed to the board and appoint members in a manner that provides for an orderly rotation.	Agree. This was taken in to consideration when selecting the current board members. The CIAA Board Policy Manual will be updated to include the required qualifications.	Cabinet considered qualifications and experience requirements and the need for rotation of board members when making the most recent appointments.	CIAA plans to update its Board Policy Manual, by end of August 2017. This will include making reference to skills and experience and rotation of board members.
2) We recommend that the Board of Directors ensure that all procedural provisions set out in Legislation are followed particularly with regard to frequency and operations.	Since July 2013 there have been monthly meetings of the Board and signed minutes are on record.	The CIAA Board now has monthly meetings and minutes of meetings are agreed and signed.	
3) We recommend that the Board of Directors meet the legal requirements for the Annual Ownership Agreement and Annual Report as set out in the PMFL and Airports Authority Law.	Since July 2014 the Annual Ownership Agreement has been prepared and signed. Delays in preparing Annual Reports are linked to delays in preparing financial statements and completing audits. An Annual Report was done in September	The CIAA Board now reviews and approves the Annual Ownership agreement. CIAA prepared an Annual Report in September 2016 that covered the previous three years activity.	CIAA plans to continue to prepare Annual Reports alongside the approved and audited financial statements.

Recommendation	Management response	Action taken (per CIAA)	Further action planned (per CIAA)
	2016.		
4) We recommend that all board members be familiar with the *Airports Authority Law (2005 Revision)* and in particular the section that sets out the purpose and mandate of the CIAA.	The CIAA Board Policy Manual should include the purpose of the Authority as stated in the *Airports Authority Law* and the *Public Authorities Law*.		CIAA plans to update its Board Policy Manual by the end of August 2017. It will include reference to the Authority's purpose in line with legislation.
5) We recommend that when matters requiring legal opinion are discussed at meetings of the Board, there should be legal counsel available or subsequent referral to ensure that Board actions and decisions are in compliance with legislative authority.	The current Board and management of the CIAA regularly refer matters of a legal nature to the CIAA's lawyers and/or the Attorney General. One board member is a lawyer.	The CIAA has a lawyer on its Board. The Authority refers legal matters to its lawyers and/or the Attorney General as necessary.	
6) We recommend that consideration be given to the skill set and experience requirements to be an effective board member of the CIAA and this information is included in position descriptions that set out the roles and responsibilities of a Director. Information on skills and experience needed should be used to inform Cabinet of the desired qualities for new board members.	A Board Policy Manual has been prepared and is currently in use. A board member orientation manual for new members has been defined and approved. The list of roles and responsibilities defined in the report will be added.	CIAA has a Board Policy Manual and orientation manual for new board members.	CIAA plans to update its Board Policy Manual by the end of August 2017. It will make reference to board members roles and responsibilities in line with those set out in the *Public Authorities Law 2017* and will consider specialist or technical skills and experience needed.

Recommendation	Management response	Action taken (per CIAA)	Further action planned (per CIAA)
It is also recommended that all Directors receive an orientation session before serving on the Board that will explain their various roles and responsibilities.			
7) We recommend that the Board undertake a strategic planning process and approve a three-year strategic plan. This should include an identification of risks and related mitigating strategies.	A five-year strategic plan was developed in 2014 for implementation from 2015/16.		CIAA plans to review and update its 5-year strategic plan by the end of 2017 to ensure that it remains fit-for-purpose.
8) We recommend that the *Airports Authority Law (2005 Revision)* be amended to ensure clarity around the role of the CEO being fully responsible for the management and administration of the CIAA.	This should be addressed through the Ministry.		The *Public Authorities Law 2017* makes a clear distinction between the roles and responsibilities of the Board and the Chief Executive.
9) We recommend that the CEO's job description be amended to reflect that the CEO and Board work together in arriving at the CIAA's strategic plan and that the CEO alone is responsible for the management and administration of the CIAA.	A review of the job description will be undertaken.		CIAA plans to review and update the CEO's job description by the end of 2017.

Recommendation	Management response	Action taken (per CIAA)	Further action planned (per CIAA)
10) We recommend that the Board take responsibility for establishing and promoting the values and ethics for the CIAA. Values and ethics approved by the Board should be accepted as guidance for board members as a well as staff of the CIAA.	Staff meetings now occur 3-4 times a year. One session in 2016 focused specifically on the values defined in the strategic plan. Part of the CIAA's performance management system speaks to the values and behaviours that employees are expected to uphold.	The Board Policy Manual includes a Code of Conduct for members. The Authority's Mission, Vision and Core Values were approved by the Board in 2014 as part of the Strategic Plan, and are communicated to staff in various ways on a regular basis, most notably at quarterly staff meetings. In addition the CIAA's performance management system speaks to the values and behaviours that employees are expected to uphold.	CIAA plans to update its Board Policy Manual by the end of August 2017. As part of this review it will ensure that the Board Code of Conduct and Authority's values align.
11) We recommend that the CIAA Employee Handbook be updated to include the values referenced in the *Public Service Management Law (2013 Revision)* and any others approved by the Board.	A review of the stated values of the organisation should be undertaken with the public sector values in the PSML in mind.		CIAA plans to update the Employee Handbook by the end of 2017.
12) We recommend that the Board include a reference in the CEO's job description to uphold and promote the values set out in the Employee Handbook.	A review of the job description will be undertaken.		CIAA plans to review and update the CEO's job description by the end of 2017.

Recommendation	Management response	Action taken (per CIAA)	Further action planned (per CIAA)
13) We recommend that the Board adopt a decision making policy that establishes the type of decisions that can only be made by the Board. The Policy should also specify that decisions made by the Board be always supported by a written report with recommendation from the CEO.	It is now standard practice to do either a policy change document or a board paper for decisions required of the Board.	The CIAA Board now receives papers or policy change documents to inform all decision that it is required to make.	The requirements set out in the *Public Authorities Law 2017* distinguish between operational decisions by management and strategic decisions by the Board. CIAA will ensure its practices are in line with the new Law.
14) We recommend that a formal orientation programme be developed to ensure new board members receive the necessary information to become effective in their new role as quickly as possible. This programme would include the roles and responsibilities of a board member as set out in the position description, the mandate and functions of the CIAA, its strategic plan and business risks.	A Board Policy Manual and Orientation Guide have been prepared.	CIAA has a Board Policy Manual and orientation manual for new board members.	CIAA plans to update its Board Policy Manual by the end of August 2017.
15) We recommend that CIAA adopts a policy for on-going governance training for its board members.	We believe that CIG has a role to play here to ensure that all SAGCs board members are receiving consistent information.		

Recommendation	Management response	Action taken (per CIAA)	Further action planned (per CIAA)
16) We recommend that the Board of Directors examine the relationships between the CIAA and its various stakeholders to identify opportunities for engagement that would lead to a better understanding of mutual interests and more efficient delivery of required services.	There is a long standing Airport Operators Committee that has the objective of providing information to and seeking feedback from stakeholders. In addition, there are long-established Safety and Security committees that discuss these very important operational imperatives with all stakeholders on a monthly basis. At the time the auditors took feedback from the Board, most if not all of the members may not have been aware of these committees, although they have been in operation for many years now. The engagement with respect to the current development project was immense, with numerous stakeholder workshops and feedback sessions, many of which molded the final design.		CIAA plans to review and update its 5-year strategic plan by the end of 2017. As part of this review, CIAA will develop a stakeholder analysis and engagement plans as necessary.

APPENDIX 4 – CAYMAN AIRWAYS LIMITED – RECOMMENDATIONS, MANAGEMENT RESPONSE AND ACTIONS TAKEN AND PLANNED

Note: Cayman Airways Limited received its report last and has therefore had less time to implement recommendations.

Recommendation	Management response	Action taken (per CAL)	Further action planned (per CAL)
1) We recommend that the Board of CAL review, discuss and approve the contents of the Annual Ownership Agreement.	The CAL Board review the Annual Ownership Agreement as part of the process to approve the airlines annual budget. This was not however specifically minuted.	The Board reviews the Annual Ownership Agreement as part of the process to approve the annual budget.	CAL will ensure that future reviews are minuted.
2) We recommend that the Chair of CAL only sign and date the Ownership Agreement after it has been approved by the Board.	CAL's Chair signed the Ownership Agreement on behalf of the Board after the review by the Board was completed. This was not however specifically minuted.	CAL's Chair signs the Ownership Agreement on behalf of the Board after the Board has completed its review.	CAL will ensure that future reviews by the Board are minuted before the Chair signs and dates the agreement.
3) We recommend that the Board be actively involved in developing and approving a Strategic Plan for the Company that will include vision and mission statements, strategic goals and objectives and an identification of the risks that could impact on the achievement of the goals and objectives.	The current Board continued with the vision and mission statements from the prior Board, this was however not specifically minuted.		All future Boards will review and validate or update the company's vision and mission statements. Decisions will be minuted.

Recommendation	Management response	Action taken (per CAL)	Further action planned (per CAL)
4) We recommend that the Annual Ownership Agreement include the strategic goals and objectives approved by the Board along with the risks that could impact on the achievement of the goals and objectives, and that the Ownership Agreement is approved by the Board.	The company's strategic goals and objectives are detailed in the rolling 5-year business plan crafted and revised by the Board and management annually.		CAL will include more details relating to its strategic goals and objectives from the Business Plan, in the 2018 Annual Ownership Agreement.
5) We recommend that a position description be prepared that sets out the roles and responsibilities of a board member and reflects the reporting relationships between the Board and Cabinet.	This recommendation is accepted, but it is primarily a shareholder responsibility to define the role and responsibilities of a board member.		The *Public Authorities Law 2017* has defined the roles and responsibilities of board members and CAL with work with the shareholder to further define and document board position descriptions in order to satisfy this recommendation in 2017.
6) We recommend that Board evaluates the performance of the President and CEO on an annual basis.	This is currently done on a continuous basis through measurement of the CEO's and company's performance against the business plan and other Board Directives.	The Board considers the President and CEO's performance when reviewing performance against the business plan.	CAL plans to formalise an annual process with specific supporting records to supplement the existing process during 2017.
7) We recommend that the President and CEO's job description make specific reference to the President's responsibilities for public service values and the Public Servant's	While this is understood to be a key area of responsibility for the President and CEO, it was not specifically mentioned in the position description.		CAL will revise the President's Job Description to include this terminology in 2017.

Recommendation	Management response	Action taken (per CAL)	Further action planned (per CAL)
Code of Conduct as set out in the *Public Service Management Law (2013 Revision)*.			
8) We recommend that the Board of Directors review the President and CEO's job description, make any other necessary changes, and give formal approval.	The President and CEOs job description was last defined circa 2010. It is accepted that this is due for a review.		CAL will review and revise the President's Job Description as necessary during 2017.
9) We recommend that the Board reviews corporate values and ethics on a regular basis, and approves those it believes are important to be followed by board members and for the organisation as a whole.	While this is routinely accomplished during tenure of CAL's current Board, such activities need to be specifically minuted.		CAL will ensure that Board activities are properly recorded and minuted.
10) We recommend that the Board receive periodic reporting from the CEO as to the extent of employee awareness and compliance with the corporate values and ethics.	This recommendation is accepted.		CAL will include in board meeting agendas a specific section relating to awareness and compliance with the corporate values and ethics.
11) We recommend that management consider using employee surveys or other means to obtain an understanding of the extent to which employees are aware of and are being guided by the values and	This recommendation is accepted.		CAL plans to conduct this activity on a periodic basis starting in 2017.

Recommendation	Management response	Action taken (per CAL)	Further action planned (per CAL)
ethics of the company.			
12) We recommend that consideration be given to the skill set and experience requirements to be an effective board member of CAL and this information be included in the position description for a Board Member and this is used to inform Cabinet of the desired qualities when new board members are being considered.	This recommendation is accepted, but it is primarily a shareholder responsibility to define the skillsets and experience of board members.		CAL will work with the Shareholder to ensure that board member qualifications, skillsets and experience, are defined and documented in order to satisfy this recommendation in 2017.
13) We recommend that a formal orientation programme be developed to ensure new board members receive the necessary information to become effective in their new role as quickly as possible. This programme would include the roles and responsibilities of a board member as set out in the position description, the mandate and functions of CAL, its strategic plan and business risks.	CAL management offers an orientation training program currently, which all current board members have been through. However, it needs to have more guidance from the shareholder included and CAL management supports this recommendation.	CAL provides orientation training to board members.	CAL will work with the Shareholder to implement this recommendation in 2017.
14) We recommend that CAL adopts a policy for on-going governance training for its board members.	This is a shareholder responsibility.		CAL will work with the Shareholder to implement this recommendation in 2017.

Recommendation	Management response	Action taken (per CAL)	Further action planned (per CAL)
15) We recommend that the Board of Directors adopt a policy that will provide for regular engagement with stakeholders and to identify the types of issues on which it will proactively consult with them.	This happens currently on an as required basis. However, CAL supports the notions of more formalised periodic engagement with stakeholders.		CAL plans to conduct this activity on a periodic basis starting in 2017.

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July 2017