

The Government Minute

Government's response to the
Report of the Standing Public Accounts Committee (PAC) of the Cayman Islands Parliament
On the Report of the Auditor General: "Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2024 Financial Audits 31 December 2024 (October 2025)".

Prepared by Office of the Deputy Governor **6 November, 2026**

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1.0 Background

Section 97(6) of the Parliament Standing Orders, 2025 requires that a Government Minute be laid on the Table of the House within three months of the laying of the report of the Public Accounts Committee (PAC) and of the report of the Auditor General to which it relates.

2.0 Introduction

This Government Minute is the formal written response of the Government to the Report of the Standing Public Accounts Committee on:

The Report of the Office of the Auditor General: **"Financial Reporting of the Cayman Islands Government: General Report on the Results of the 2024 Financial Audits 31 December 2024 (October 2025)"**, which was tabled in Parliament on 1st May 2026.

Responses are structured to directly address each PAC recommendation, confirm the Government's acceptance status, provide details on the specific actions taken or to be taken, and provide realistic and reasonable timelines for implementation, where appropriate.

3.0 Explanatory Notes for Acceptance Status

This section provides explanatory notes on the Acceptance Status of accepted, accepted in principle and not accepted recommendations.

Accepted
The Government has accepted the recommendation in full. The recommendation is appropriate, within the relevant authority's remit, feasible and sufficiently clear to be adopted as written.

Accepted in Principle
The Government has accepted the recommendation with some modifications or qualifications. The objective is supported, but the proposed deadline, method, responsible parties or reporting arrangements require modification or remain subject to executive assessment. Alternatively, the Government agrees with parts of the recommendation, not all of it and undertakes to implement the parts it agrees with.

Not Accepted
The Government has declined to accept the recommendation. The recommendation, as framed, may conflict with an applicable responsibility or governance arrangement, or seek a commitment that cannot properly be made. The response should explain why and, where possible, identify an alternative.

4.0 Government responses to the Committee

The Government has carefully considered the Committee's report and provides its responses accordingly.

PAC Recommendation 1

Responsible Officer: Financial Secretary

Ministry of Finance and Economic Development should provide mandatory training for Chief Financial Officers, Deputy Chief Financial Officers, and finance staff across all public bodies within six months of this report, with the aim of improving the quality of financial reporting and reducing the number of post-submission adjustments in all future financial statements.

The Government **accepts in principle** the Committee's recommendation.

Recommendation Status: **Completed**

Government Response: The Ministry of Finance and Economic Development (MFED) accepts this recommendation in principle, as it acknowledges that training should result in the preparation of higher quality financial statements. MFED currently provides financial reporting training twice annually to CFOs and finance staff across the public sector. Additionally, MFED provides bespoke training, guidance and standardised templates annually to support the implementation of new International Public Sector Accounting Standards (IPSAS).

Within the PAC's recommended timeframe, the Ministry of Finance and Economic Development (MFED) delivered two training sessions to Chief Financial Officers (CFOs), Deputy CFOs, and other finance personnel in June and September 2026. While not mandatory, these sessions included both core civil service and SAGC participants, and focused on Forecasting and Leadership in the Finance Function for Core Government and International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) for the Entire Public Sector, respectively. Therefore, the Government considers this recommendation completed.

PAC Recommendation 2

Responsible Officer: Financial Secretary

All public bodies should immediately comply with the Procurement Act, Procurement Regulations and other relevant Central Procurement Office guidance.

The Government **accepts in principle** the Committee's recommendation.

Recommendation Status: **In Progress**

Government Response:

The Government supports the underlying objective of this recommendation, namely, ensuring that all public bodies comply with the Procurement Act, the Procurement Regulations and applicable guidance issued by the Central Procurement Office (CPO).

However, the recommendation is framed as a desired outcome rather than identifying a specific action or measure to be undertaken. Furthermore, the requirement for immediate compliance by all public bodies could be interpreted as requiring the Government to guarantee 100% compliance with immediate effect, irrespective of the nature or extent of any existing deficiencies and the time reasonably required to address them.

Compliance with these requirements is an ongoing statutory obligation of all public bodies. As an additional specific action, MFED commits to identifying significant or recurring areas of non-compliance with respect to the Procurement Act and Regulations, from the audit reports, to be addressed as topics for planned future training sessions to be held at least annually. The first training session will be held in Quarter 2 of 2027.

PAC Recommendation 3

Responsible Officer:

(1) Chief Officer PLAHI

(2) Chief Officer Ministry of Health, Environment and Sustainability

The Cayman Islands Airport Authority and Ministry of Health, Environment and Sustainability should work together with the Office of the Auditor General (OAG) to develop audit backlog elimination plans within sixty days of the report.

The Government **accepts** the Committee's recommendation.

Recommendation Status: **Completed**

Government Response: **Ministry of Planning, Lands, Agriculture, Housing and Infrastructure**

The CIAA and the Ministry met with the OAG on 26 March 2026 and agreed the following plan to eliminate the backlog audits.

Audit Period	Years Being Audited	Years Backlogged
May-26 to Aug-26	2022 and 2023	2024 and 2025
Oct-26 to Feb-27	2024 and 2025	2026
Apr-27 to May-27	2026	Caught Up

The update status since May 2026 is that we completed the 2022 audit on 24 September 2026 and the 2023 audit on 13 October 2026, thus eliminating half of the backlog. This was completed in close collaboration with the OAG and based on the tight schedule agreed to, and accomplished by, both teams. The engagement letters for 2024 and 2025 were signed on 26 October 2026 and we expect those two to be completed in 1st quarter of 2027. That will leave only 2026 outstanding and we expect that one to be completed in 2nd quarter of 2027, at which time we will be fully caught up.

Government Response: **Ministry of Health, Environment and Sustainability**

The Ministry of Health, Environment and Sustainability (the "**Ministry**") has been working closely with the Office of the Auditor General (**OAG**) to systematically address and eliminate the audit backlog. Following the Committee's hearing in January 2026, the Ministry accepted the proposal to issue disclaimers of opinion for the 2020–2023 financial years. The backlog elimination plan below has been developed in consultation with the OAG.

The current status of the backlog audits and the anticipated timelines for completion are set out below:

- **2020–2023 Audits:** Disclaimers of opinion issued and finalised by the OAG in April 2026.

- **2024 Audit:** Currently underway, with completion projected before the end of 2026.

- **2025 Audits:** These audits will commence following the conclusion of the 2024 audit, with the objective of completing them in 2027. The 2025 audit is split into two separate sets of financial statements: the Ministry of Health and Wellness (January–June 2025) and the Ministry of Health, Environment and Sustainability (July–December 2025), following the reorganisation of Ministries, which doubles the audit work for that year over two periods.

- **2026 Audit:** The statutory timeline for completion of the 2026 audit is **April 30, 2027**. However, as the Ministry and the OAG are expected to be working towards finalising the 2025 audits during this period, the completion timeline for the 2026 audit is expected to shift. The Ministry aims to work with the OAG to finalise this audit on or before December 31, 2027, at which point the audit backlog is expected to be eliminated, and the Ministry expects to meet the statutory timetable from the 2027 financial year.

The Ministry will continue to work collaboratively with the OAG to complete the outstanding audits, monitor progress, and update the plan as work advances towards our ultimate objective of eliminating the audit backlog by 31 December 2027, subject to timelines mutually agreed between the Ministry and the OAG.

PAC Recommendation 4

Responsible Officer: Financial Secretary

The Ministry of Finance and Economic Development should review and update the current EPS action plan to include clear timelines for rectifying the outstanding qualification points by 31 May 2026 and submit this to the OAG and PAC. MFED should update the action plan regularly providing quarterly updates to the OAG.

The Government **accepts in principle** the Committee's recommendation.

Recommendation Status: **In Progress**

Government Response: The EPS Audit Corrective Plan has been in place since June 2022 and is reviewed and updated at least quarterly, or as and when significant progress is made on corrective actions. The last update was completed in September 2026. The September 2026 update will be provided to OAG by 6 November 2026. Going forward the updates to the EPS Audit Corrective Plan will be sent to the OAG on an annual basis.

PAC Recommendation 5

Responsible Officer: Chief Officer, Ministry of Health, Environment and Sustainability

The Health Services Authority should review its inventory management controls and remediate all identified deficiencies within three months of this report. The Authority should conduct a follow-up assessment within six months to confirm full compliance to the PAC and OAG.

The Government **accepts in principle** the Committee's recommendation.

Recommendation Status: **In Progress**

Government Response:

The Health Services Authority (the Authority) accepts that its inventory management controls must be strengthened. The Authority is actively working on correcting the deficiencies but as the primary remediation activities, upon which the other changes rely involves the integration of Cerner and Fusion, this will take 12 to 18 months from the projected start date. The start date is dependent upon EPC/PPC approval which we expect to receive in January 2027, with full remediation expected by June 2028. The three-month timeframe in the recommendation therefore could not be met.

At the Committee's hearing in January 2026, the Authority set out a phased plan with full implementation by the end of 2026.

Progress against that plan includes:

- Barcoding (planned Q1 2026) was completed in December 2025 for Materials Management. We are working to implement this in all Med/Surg satellite locations in 2027.

- Lot tracking and barcoding with valuation (planned Q2 2026) is in progress with planned completion in Q1 2027 (for Med/Surg items only – pharmaceutical items are dependent upon the Cerner/Fusion interface).

- Interfacing of systems (planned Q3 2026) will be a 12 – 18 month process and the start was delayed by the need to remediate the existing Cerner and Fusion systems prior to integration.

- Improper valuation of inventory (planned Q4 2026) was resolved with the exception of landed costing for pharmaceutical items which is dependent upon integration.

- Pharmacy assistant top-ups not signed (planned Q3 2025) was addressed in Q3 2026.

- Inventory reorder levels are manual (planned Q4 2025) – the work to increase automation has progressed, with Cerner functionality in place. Underlying data must still be captured and uploaded into Cerner. This is expected to be completed in Q2 2027.

- Lack of pre-numbered goods receiving notes (planned Q4 2026 for Cerner) was corrected in December 2025 using manual, pre-numbered forms. Cerner cannot produce these notes in a pre-numbered format so the manual pre-numbered forms will be used again in December 2026. Once the interface for Cerner/Fusion is completed, this will be done through Fusion.

- Inconsistent inventory system methods (planned Q2 2026) - is dependent upon the Cerner/ Fusion integration. Expected completion is in June 2028.

The full completion date has moved because it was necessary to remediate the system configuration of both systems prior to the Cerner/Fusion integration. This is ongoing with integration expected by June 2028.

In the meantime, we have instituted manual measures including full mid-year inventory counts and staff retraining to address the deficiencies. The year-end count was completed in December 2025 with the mid-year count completed in July 2026 and the 2026 year-end count expected to be completed in December 2026. The Authority also had support from a private sector firm/international firm in inventory valuation and reconciliation in December 2025.

PAC Recommendation 6

Responsible Officer: Chief Officer Ministry of Health, Environment and Sustainability

The Ministry of Health, Environment and Sustainability should finalise and publish the national healthcare strategy within six months of this report. The framework should identify any loss-making services, and be used to inform decision-making, including resetting prices, to ensure the Authority is financially sustainable.

The Government **accepts in principle** the Committee's recommendation.

Recommendation Status: In Progress

Government Response:

The Ministry of Health, Environment and Sustainability agrees with this recommendation in principle. We recognise that a published national healthcare strategy is needed to give the Authority clear direction and to support its long-term financial sustainability.

Work on the strategy is under way and has reached a draft for stakeholder consultation. However, the six-month timeframe is not achievable. The strategy must go through stakeholder consultation and Cabinet approval before it can be published, and some of the information needed to finish it is not yet available, specifically sections that require input from other ministries. The Ministry will aim to finalise the strategy and publish it by Q2 2027. The roll-out intended for 2026, as indicated at the Committee's hearing, has moved because the Ministry has been focused on the roll out of 4 pieces of primary legislation as part of the ongoing healthcare reform.

Key milestones:

- Stakeholder consultation: December 2026 – February 2027
- Submission to Cabinet: tentatively May 2027
- Publication: Q2 2027

The Ministry also agrees that the strategy should identify services that are not recovering their costs. To do this reliably, the Authority will need accurate service-level costing data (see the response to Recommendation 7). The Ministry will work with the Authority to build or improve this costing work alongside the strategy.

PAC Recommendation 7

Responsible Officer: Chief Officer Ministry of Health, Environment and Sustainability

The Health Services Authority should develop and implement a cost accounting framework and accurately determine the cost of delivering healthcare services within six months of this report. The framework should identify any loss-making services, and be used to inform decision-making, including resetting prices, to ensure the Authority is financially sustainable.

The Government **accepts in principle** the Committee's recommendation.

Recommendation Status: In Progress

Government Response:

The Authority accepts that it needs a cost accounting framework to determine an accurate cost of delivering its services, and that its fees should be informed by those costs. The Authority has been to market multiple times in six months to recruit a suitably qualified cost accountant, but each attempt failed. We are currently in the process of finalising an RFP to engage a company to assist with the implementation of a cost accounting framework. This will include developing in-house capacity / expertise to accurately determine the cost of delivering healthcare services.

The planned timeline is:

- RFP issued: December 2026; contract awarded: Q2 2027
- Costing of priority, high-volume services completed: Q4 2027
- Full framework implemented, with in-house staff able to maintain it annually: Q4 2027

The results will identify services that are not recovering their costs and will be reported to the Authority's Board and the Ministry by Q3 2027. The Ministry supports using this information to guide decisions, including on pricing. However, decisions to change prices must also take into account affordability and fair access to care for patients, as well as wider Government policy, and changes to the fee schedule are consistent with the Health Services (Fees) Act and Regulations and the Chargemaster policy. Price changes may therefore be one of several options considered, alongside efficiency improvements, changes to how services are delivered, and Government funding where a service is provided for public health or social reasons.