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April 25, 2024

Mr. Selvyn Hawkins
Chairman
Turks and Caicos Islands Airports Authority
Providenciales
Turks and Caicos Islands

Dear Mr. Hawkins,

Sponsorship Letter – Turks and Caicos Islands Airports Authority

This letter sets out the requirements under the regulations issued in accordance with the Public Finance Management Ordinance 2021 Revised from the Ministry of Finance, Trade and Investment to the TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY, herein after TCIAA.

It explains how the TCIAA is expected to support the Ministry's mandate and policies, financial expectations and reporting requirements. It also sets the level of delegated authority that the body may have in terms of committing expenditures or creating liabilities. This letter does not supersede any legal requirements that the Statutory Body may have under the Public Finance Management Ordinance 2021 Revised or the TURKS AND CAICOS ISLANDS AIRPORTS AUTHORITY ORDINANCE.

Governance Requirements

As required by regulation 146(1) of the PFMR, pursuant to section 40 of the Public Financial Management ordinance (PFMO), the Member of Cabinet who has responsibility for a Statutory Body shall issue an annual sponsorship letter to the statutory body.

The sponsorship letter under regulation 146(1) is required to —

- a) Quantify the funds, if any, that have been appropriated by the Government for the use of the Statutory Body for that financial year;

- b) Specify, in general terms, the policies that must be followed by the Statutory Body in carrying out its functions during that financial year and the way in which it may expend its funds in doing so; and
- c) Specify any instruction that the Minister or the Governor may have, in respect of a function of the Statutory Body that should receive particular attention during that financial year.

A Statutory Body is required to commit its funds in a manner commensurate with a sponsorship letter received in accordance with regulation 146 and must not commit any of its funds in respect of a financial year until a sponsorship letter in respect of that year has been received. The PFMR further requires a Statutory Body, in its annual report for a financial year, to explain the manner in which it had carried out any instruction given in accordance with regulation 146(2) (c) and what has been achieved.

An annual Statement of Internal Control is required to be prepared and approved by each Statutory Body and submitted along with the Financial Statements of that body to be laid before the House of Assembly. In the PFMR, the expression "funds", in respect of a Statutory Body, means its assets and its income, including income received by way of investments, fees, rents, charges and other imposts and any funds appropriated to it by the Government.

Estimates of Expenditures

In accordance with regulation 147(1) of the PFMR, and pursuant to section 42 of the PFMO, prior to a statutory body implementing any proposals to change existing or create new policies, projects and procedures, a business case must first be forwarded to the Governor for approval and no expenditure can be incurred by the statutory body until approval in writing has been obtained.

The business case required under regulation 147(1) must be accompanied by a copy of the Board's minutes on matters that have financial implications and —

- a) set out the rationale of the change in existing or creation of new policy;
- b) explain the level of expenditure that will be incurred;
- c) show any cost or efficiency savings associated with the revised policy; and
- d) explain how the change in policy or new policy will improve controls or mitigate risks.

This requirement applies to the following policies, procedures or projects of a Statutory Body, (save for the TCIAA in the cases where the need to maintain confidentiality or effective regulation of the sector can be demonstrated) —

- a) redeployment of staff to special activities that would otherwise mean their duties are not completed;
- b) hiring of additional staff over the approved establishment, including temporary positions to backfill any persons acting;
- c) change to the terms and conditions of staff or Board members;
- d) hiring external consultants or advisors;
- e) incurring unbudgeted expenditure in excess of \$30,000; and

- f) capital expenditure that have not been otherwise budgeted.

Key Programme Strategies

On the passage of the budget for FY2024/2025 the following key program strategies became applicable in the assessment of the full-year performance of the TCIAA:

1. To improve organizational efficiencies at the Airports Authority through year-on-year improvement of visible key performance indicators inclusive of training and team development, cost efficiencies, governance, and sustainability through the FY 2024-25.
2. To improve passenger satisfaction levels at the Howard Hamilton International Airport, inclusive of a targeted thirty percent (30%) increase in passenger seating capacity by Q2 2024- 25.
3. To complete construction of the Howard Hamilton International Airport control tower and combined services building, a key milestone in the airport development plan aimed at enhancing capacity, health, safety, and regulatory compliance by Q3 2024.
4. Progress the Howard Hamilton International Airport Redevelopment Public Private Partnership (PPP) procurement exercise for identification of a preferred bidder by Q2 2024-25.
5. Complete infrastructural works associated with the carpark, lighting, and perimeter fence at Norman B. Saunders International Airport by September 2024.
6. Begin design, permitting and construction of a new international airport terminal and runway upgrades at Clifford Gardiner International Airport by Q3 2024-25.
7. Measurably increase public awareness of the HHIA Redevelopment process and progress through various media through Q4 2024-25.

Strategic Priorities

1. To prioritize revenue diversification and growth by focusing on the strategic openings and efficient operations of airports over the next two years.
2. To strengthen corporate governance and compliance protocols by proactively shaping legislation, refining by-laws, implementing change management strategies.
3. establishing robust standard operating procedures, and implementing effective leadership strategies over the next two years.
4. To develop leadership excellence that fuels industry growth and elevates sector capabilities by strategically investing in our people over the next years.

5. To drive and improve cost savings through the strategic integration of technological innovation across every facet of the Turks and Caicos Islands Airports Authority.
6. To improve customer satisfaction at airports by prioritizing a customer-centric approach for both internal and external stakeholders.
7. To improve the aviation sector of the Turks and Caicos Island through the redevelopment of the Howard Hamilton International Airport.
8. To increase environmental sustainability by actively reducing carbon emissions and greenhouse gases.

Human Resources

Approval has been granted for a staff complement of 433 at a cost of \$16,258,192. There is to be no reconfiguration of roles/posts by deletion or consolidation without the prior approval of the Minister in Cabinet. This would be deemed as operating in contravention to the approvals and is strictly prohibited.

Financial Management Responsibilities

Please be reminded that sections 40 and 45 of the PFMO guides that no expenditure can be incurred by a statutory body except under the authority of a warrant signed by the Minister and that every member is personally and pecuniary liable for any loss incurred by the Statutory Body through an act of financial misconduct in the Statutory Body.

Financial expectations

As per the approved appropriation for 2024/2025, the TCIAA agrees the following targets:

Revenue	\$60,053,620
Employment Cost	\$21,453,205
Operating Cost	\$28,061,568
Capital Projects	\$35,878,824

All statutory payments for example National Insurance and National Health Insurance are to be made within the prescribed timelines.

Expenditure should not be incurred for the financial year until you have accepted the terms of this letter.

Statutory Bodies and Boards are reminded that travel and other expenses charged by members are governed by the same rules as the TCI Government.

Financial Reporting Requirements

The TCIAA shall be required to produce accurate financial management information on a monthly basis that shall not contain less than the income statements showing progress against the approved budget and a balance sheet. A copy of the financial performance reports should be forwarded to me at the end of each financial quarter.

Where for any particular month it is expected that the TCIAA income will be less than, or expenditure greater than, the approved budget for the year you should prepare a report to myself explaining the corrective measures that will be made by the Statutory Body in order to bring the budget back into balance.

In addition, the Statutory Body will be guided by section 149 (1), (3) and (4) of the Public Finance Management Regulations which states:

"(1) In accordance with section 43 of the Ordinance a Statutory Body must, in a form prescribed by the Accountant General and within fourteen days of the end of each quarter, submit to the Budget Director, a copy of its unaudited income statement —

- (a) Showing progress against budget for that quarter
- (b) Attaching the balance sheet for that quarter; and
- (c) Including an explanation of any deviations of greater than 5% against the amount budgeted for that quarter.

"(3) Where a Statutory body is funded through a monthly subvention the information submitted in accordance with sub-regulation (1) shall also be accompanied by an explanation of any material discrepancies against the budget and the proposed action to be taken to bring the deficit back into balance."

"(4) Statutory body required to remit excess expenditure shall do so in accordance with the relevant Ordinance along with a reconciliation duly signed by the Chief Executive Officer or the Chief Finance Officer of that statutory body and failure to comply with this regulation, without reasonable excuse, constitutes an offence."

All Statutory Bodies will be required to submit their accounts to the Auditor General in accordance with the requirements of the Ordinance. Sections 19-23 of the National Audit Office Ordinance 2021 Revised refer.

All Statutory Bodies are required to, unless notified differently, be overseen by the TCI Government's Internal Audit Functions. For those bodies with an existing internal audit team, required access will include working papers etc. Section 25 (7) and (8) of the Public Finance Management Regulations 2021 Revised refers.

In addition, the Statutory Body is required to provide a Statement on Internal Control as a part of their financial statements that clearly explains how the control environment has operated throughout the year and how the Board has received its assurances from its governance arrangements.

Delegations

The Board will be required to ensure that all expenditure is authorized in accordance with your Ordinance and agreed financial procedures.

Risk Register

The TCIAA shall maintain a Risk Register as a risk management tool and shall report on a quarterly basis, the levels of all risks identified; including additional information about each risk, e. g. nature of the risk and the mitigation measures taken or to be undertaken.

Statutory Board Review Report

TCIAA is advised that the implementation of the recommendations emanating from the Statutory Body Review Report is an ongoing process and we note the progress that has been made so far.

Please be reminded that the TCIAA will be assessed quarterly on the progress made against the scheduled implementations and ensure that efforts are geared towards progressing individual entity recommendations, as well as any of the following priorities that may be outstanding or works-in-progress:

1. Standardization of Performance Appraisal Systems and Templates
2. Compilation of Annual Reports
3. Adoption of a Code of Practice
4. Provision of an annual Internal Control Statement (Primary Accountability Document)

Transparency

As part of the move towards greater accountability and transparency across all parts of the public sector, the TCIAA is urged to publish its budget document on its website, to host public stakeholder meetings quarterly, and to publish online summaries of its decisions and discussions. In addition, you should write to me setting out your wider plans to increase citizen engagement with the body's activities.

I would be grateful if you could confirm in writing your acceptance of this letter and provide assurance that you will comply with these requirements.

Sincerely,

Arlington Musgrove

Hon. Arlington A. Musgrove
Minister of Immigration and Border Services