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Mr. Clement Reid,  
Port Director,  
The Port Authority of the Cayman Islands,  
Grand Cayman,  
Cayman Islands

21 February 2018

Dear Mr. Reid,

**2017 Port Authority Audit and the key findings on various matters raised by the report of the Office of the Auditor General of the Cayman Islands ("the OAG") and the written responses of Mr. Clement Reid, Port Director dated 25 January 2018**

Thank you for attending the meeting on 15 February 2018 with various members of the Port Authority Board, the purpose of which was to follow up on and seek further clarification of your written responses to the Auditor General's Report dated 25 January 2018. As you requested, we recorded our meeting on 15 February 2018. We have prepared a draft transcript of the meeting, a copy of which is enclosed with this letter for your review and approval.

The Board met on Monday 19 February 2018 to discuss and consider your further responses to the Board and to determine how the Board should deal with the matters addressed by the OAG's Report and in particular to consider whether it remains appropriate for you to continue in your role as Port Director in light of the allegations of breaches /acts of non- compliance identified by the OAG Report and your written responses dated 25 January 2018 and your further oral responses given to the Board on 15 February 2018.

At the outset, the Board wishes to advise you that it is generally displeased to have discovered the matters raised by the OAG Report, in particular, the breaches of the PACI employee handbook and the Public Authorities Law (2017) and the manner in which you have unnecessarily created new positions and hired new staff at excessive salary rates in excess of the advertised salary ranges.

The Board is of the view that your conduct is tantamount to serious or gross misconduct in the course of your employment which would justify the Board in summarily dismissing you without notice pursuant to clause 22.1 of your contract of employment.

However, for the reasons explained below, the Board has concluded that it will not adopt such a draconian course but will give you the benefit of the doubt and give you an opportunity to make amends by taking urgent steps to address the problems which you have created.



### **Written warning**

The Board wishes to inform you that it regards your misconduct as sufficiently serious that the Board cannot reasonably be expected to tolerate a repetition of any of the misconduct outlined in the OAG Report, and accordingly the Board is hereby giving you a written warning in respect of the said misconduct pursuant to clause 22.2 of your contract of employment. If within twelve months of the receipt of this written warning, you commit any further acts of misconduct of any kind in relation to your work, the Board may terminate your employment without further notice.

### **Written warning**

Further, the Board hereby puts you on notice that in light of the matters raised by the OAG Report, it is axiomatic that you have not been performing your duties in a satisfactory manner and the Board hereby gives you a written warning in respect of your unsatisfactory performance as outlined in the OAG Report pursuant to clause 22.3 of your contract of employment. In particular, the Board is concerned by the manner in which you have unnecessarily hired new staff at excessive salary rates in excess of the advertised salary ranges and created unnecessary positions resulting in a massive monthly payroll which is financially unsustainable. This Human Resources (HR) problem is having and will continue to have a serious and harmful impact on the Port Authority unless immediate and decisive steps are taken to deal with the HR problem.

If within one month of the receipt of this written warning, you do not commence performing your duties in a satisfactory manner, the Board may terminate your employment at the end of that one-month period without further notice.

In reaching its decision, the Board has taken into account your long tenure with the Port Authority, your detailed written responses to the OAG Report and willingness to meet the Board at short notice on 15 February 2018, your alacrity in acknowledging that mistakes were made by you and your evident commitment to do your job to the best of your ability.

### **Moving forward to address the HR problem**

The Board wishes you to consider how the HR problem can be resolved and the Board hereby directs you to put forward a proposal within 30 days which will have the effect of reducing the payroll figure for the Port Authority in the future.

By way of preliminary suggestions for discussion purposes, the Board's initial thoughts are that the following steps should be taken:

- (i) Undertake an organizational restructuring by reducing the number of deputies and/or other staff members and where required, giving consideration to amalgamating certain positions and/or making certain positions redundant.
- (ii) Senior staff should start keeping timesheets recording what work they are doing and these timesheets should be made available to the Board or the HR sub-committee upon request.





- (iii) You should prepare a report which explains in detail the job descriptions of each senior position. There should be no new hires, salary increases or change of job responsibilities or titles, without the express approval of the Board. Where new roles were created, please provide an explanation of why that new role was created and reconsider whether some of these positions could be amalgamated and performed by one person.

If you have any other ideas as to how to address the HR problem, then please provide them to the Board in writing as soon as possible.

### **Moving forward to address other Breaches identified in the OAG Report**

In addition to the significant HR related matters identified by the OAG Report, there were several other matters which are of concern to the Board and which require your immediate attention in order to protect the Port Authority. Accordingly, the Board hereby directs you to prepare the following documents within the next 45 days for the Board's consideration and approval:

- a) A draft policy document setting out the manner in which the Receiver of Wrecks shall deal with the receipt, handling and disposal of wrecks;
- b) A draft policy document dealing with the Disposal of Port Authority Assets;
- c) A draft Procurement Policy.

### **New Reporting Requirements**

With immediate effect the Board of Directors will require the following:

- a) Instead of monthly reports, the Board requires the Port Director to provide activity reports every fortnight (format to be the same as the Monthly Report by the Port Director with the exception of the Financial Report which can be provided monthly);
- b) The Port Director shall provide the Board with a schedule and budget of all proposed overseas representation on behalf of the Port Authority at conferences, tradeshow or events which must be approved by the Board prior to the Port Director entering into any commitment to attend such events.

### **Creation of sub-committee of the Board to resolve the HR problem**

Finally, we wish to inform you that the Board has created a working sub-committee, comprised of Mr. Richard Parchment, Mr. Ken Thompson and Mr. Charles Clifford who will liaise and work with you to discuss and formulate an agreed plan to resolve the HR problem.

Yours sincerely,

**Chairman on behalf of the PACI Board**