



# **Annual Report**

**of**

***Cayman Islands Audit Office***

**For the 2007/8 Financial Year**

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## 1. Overview of Performance for the Year

### Introduction

The annual report details the performance of the Cayman Islands Audit Office for the fiscal year ending 30 June 2008.

It includes information about outputs actually delivered during the year as compared to the planned performance documented in the Annual Budget Statement for the Cayman Islands Audit Office for 2007/8.

It also reports those aspects of ownership performance that were contained in the Annual Budget Statement for 2007/8.

## Summary of Performance

### Output Performance

#### AUD-02 Investigations and Reports

##### Reports Issued:

There has been one report issued to the Speaker of the Legislative Assembly and Public Accounts Committee for the year to date:

1. ***The Review of the Debt Financing Arrangements for Boatswain's Beach*** – the objective of the audit was to determine the costs of the financing arrangements for the Boatswain Beach project and to determine if the Turtle Farm value commensurate with money expended. This report was issued in July 2007.

##### Investigations & Reports in Progress as of 30 June 2008:

1. ***Special Report on the State of Financial Accountability*** – the review was to document the present state of financial accountability for all Government entities, including the twelve government Ministries and Portfolios as well as the twenty five statutory authorities and government companies. The report makes recommendations to improve the current situation as a result of the delays in financial information becoming public information. In our opinion the review is approximately 85% complete at year end. Subsequent to the year end this report was sent to the Legislative Assembly on 22 July 2008.
2. ***Value For Money Audit – Scrap Metal Tender and Contract with Matrix International Inc.*** There has been significant public interest in the awarding of this contract. Some have questioned why an international firm was selected over a local bidder whose offer was only slightly less than the Matrix bid. Others have expressed the concern that Matrix International Inc. has not paid many of its local contractors. In February 2008, the Public Accounts Committee requested that the Office of the Auditor General review this contract. At that time, the contract was still active, therefore it was agreed that the review would be limited to the process leading up to the awarding of the contract to Matrix International Inc. As a result we are reviewing the tender preparation process, the

evaluation of submissions and the steps followed in awarding the contract. In our opinion the audit is approximately 85% complete.

3. ***Value For Money Audit – Boatswain Beach Development Project.*** Our overall initial objectives for the Boatswain's Beach Development Project VFM audit are as follows: 1) to review and to provide an assessment of the key elements in the contracting process for the Project's construction; 2) to review the initial cash flow projections for the Project's operations; 3) to conduct an analysis of the Project's current cost of operations; and 4) to assess the Project's long term financial viability. In our opinion the audit is approximately 75% complete.
4. ***Hurricane Ivan: Capital Disposals and Additions Across the Entire Public Sector.*** Our audit on capital disposals and additions will focus mainly on the loss of vehicles and the new hurricane distribution plan to protect vehicles. In our opinion the audit is approximately 75% complete; however, it has been decided that this audit will no longer be carried out and therefore no report is going to be issued.
5. ***Value For Money Audit – Cayman Brac & Little Cayman.*** We will be assessing Government operations in Cayman Brac & Little Cayman with respect to road maintenance and construction, and the affordable housing project. We have completed the initial planning of the audit and have begun some fieldwork. In our opinion the audit is approximately 35% complete.
6. ***Value for Money Audit – Customs Waivers & Duties.*** We plan to assess the waiver of duties payable on importation, the waivers of the mandatory penalty for evasion of duty, the potential loss of revenue for Government resulting from waivers being granted in a manner that is inconsistent with applicable Laws and procedures, and payment arrangements afforded to persons found guilty of duty evasion are delinquent and funds not being recovered. We have just started our initial planning of the audit and in our opinion the audit is approximately 10% complete.
7. ***Value For Money Audit – Department of Tourism – Overseas Offices Operations expenditures.*** We will be assessing how the DOT Overseas Offices are operated with a view to ensuring that proper budgets are in place and that actual expenditures are compared to the budgets. We will be examining expenditures made versus contracts to ensure expenditures are made appropriately and with a view for value for money. We have just started our initial planning of the audit and in our opinion the audit is approximately 10% complete.
8. ***The Auditor General's Report on the Government's 2004/05 financial and output statements*** has just been started as the audits of the Ministry/Portfolio financial and output statements and the consolidated financial statement of Government have not been finalized as of 30 June 2008. There have been significant delays by the Ministries/Portfolios with regards to the submission of Entity & Executive financial statements and Statements of Outputs Delivered. As of 30 June 2008, all Ministries/Portfolios have submitted their Annual Reports, which included the financial

statements and Statements of Outputs Delivered for audit. Therefore, we anticipate a significant delay in this report being completed and tabled in the Legislative Assembly.

9. **Specialist Technical Advice Provided to Government Organizations** – 673.75 hours was provided to the government organizations during 2007-08 by staff of the Audit Office. It is expected that this technical advice will be continuing in the 2008-09 year.
10. **Minor Reports & Advisory Consultations** – work was completed on some minor reports and advisory consultations. Specifically, we finalized our own annual report; provided assistance to the National Assessment on Living Conditions task force; began gathering information on future value for money audits which in some cases we have started new value for money audits; and have issued a special report to the Tourist Attraction Board. In addition we have undertaken a couple of special investigations at the request of an agency.

Investigations & Reports not started:

There were six projects budgeted for, but not started during the 2007-08. These projects were:

1. **The Auditor General's Report on the Government's 2005/06 financial and output statements** has not been started as the audits of the Ministry/Portfolio financial and output statements and the consolidated financial statement of Government has not been finalized as of 30 June 2008. There have been significant delays by the Ministries/Portfolios with regards to the submission of Entity & Executive financial statements and Statements of Outputs Delivered. As of 30 June 2008, some Ministries/Portfolios have submitted their Annual Reports which include various degrees of financial statement information and lacked many of the required audit schedules. Less Ministries/Portfolios have provided their Statements of Outputs Delivered for audit. Therefore, we anticipate a significant delay in this report being completed and tabled in the Legislative Assembly. We do however plan to report on this protracted delay in a yearly Special Report on the State of Financial Accountability.
2. **The Auditor General's Report on the Government's 2006/07 financial and output statements** has not been started as the audits of the Ministry/Portfolio financial and output statements and the consolidated financial statement of Government has not been finalized as of 30 June 2008. There have been significant delays by the Ministries/Portfolios with regards to the submission of Entity & Executive financial statements and Statements of Outputs Delivered. As of 30 June 2008, very few Ministries/Portfolios have submitted their Annual Reports for audit which includes various degrees of financial statement information and lacked many of the required audit schedules. Less Ministries/Portfolios have provided their Statements of Outputs Delivered for audit. Therefore, we anticipate a significant delay in this report being completed and tabled in the Legislative Assembly. We do however plan to report on this protracted delay in a yearly Special Report on the State of Financial Accountability.
3. **VFM Audit – Construction of Prospect Primary School.** No audit work has commenced on this project.

4. **Land Acquisitions, Grants and Usage of Crown Land.** We have been made aware of some issues surrounding land acquisitions and grants of Crown land and have held only preliminary discussions. No audit work has commenced on this project.
5. **Government Accommodation Project.** No audit work has commenced on this project as there have been delays in the commencement of this project and it is currently in the initial construction phase.
6. **VFM Audit – Construction of Other Schools** - No audit work has commenced on these projects as there has been a delay in the commencement of these projects and it is currently in the design phase, therefore an audit at this stage would not be appropriate.

We will continue to reevaluate the 2007-08 projects budgeted for during the fiscal year to determine which projects are still deemed to be significant and which projects we will continue to pursue working on in 2007-08.

Explanation of Percentages used in Output Statement AUD 2 – Investigations & Reports:

Quantity Percentage's Explained:

Based on our experiences to date in performing value for money audits and investigations, we have broken the process into 4 main stages. The 4 stages, and the usual percentages of the total effort expended in each stage, are explained below:

**0 - 70%.** During this first stage of a value for money audit or investigation, we will have planned the audit, held client meetings, documented the client's systems, tested the systems, analysed the data, and made preliminary evaluations and conclusions. The conclusion of this phase is generally an audit file that documents the work to date. This phase usually consumes 70% of the total resources devoted to the project.

**71 - 85%.** At this stage of the audit, a Manager and the Auditor General will review the fieldwork documentation to ensure preliminary evaluations and conclusions are consistent with the audit evidence obtained. The first draft of the value for money or investigative report will then be written. At the 85% completion mark we will have issued the first draft report to the client for comments.

**86 - 90%.** This stage of the audit will involve discussions with the client on the draft report. At 90% completion, we will have received our first response back from the client and incorporated the client's comments into the second draft of the report.

**91-100%.** This is the final stage of the audit where we will finalize the report, along with client comments as appropriate, and prepare the final versions of the report to be issued to the Legislative Assembly, the Governor, Statutory Authority and/or Government Company.

Specialist technical advice provided to Government Organizations is measured by the number of hours the Audit Office staff provides.

Quality Percentage's Explained:

For the 2007-08 year we indicated quality by the percentage in which we expect all reports issued by the Audit Office are reviewed by an Audit Manager and/or the Auditor General and "agreed by client".

We define "agreed by client" to mean that we have provided the opportunity to the client to comment on a draft report that we plan to issue. "Agreed by client" does not presume that the client will agree to the findings and conclusions of the report, but that the client has been provided the opportunity to comment on the report, which can impact our final report to be issued and/or the client's responses may be included in the body of the final report. We believe this provides a more fair and balanced report.

**0%** - indicates the report was not reviewed by the Audit Manager and/or the Auditor General and "agreed by client".

**100%** - indicates the report has been reviewed by and Audit Manager and/or the Auditor General and "agreed by client".

For each report issued if one of these criteria are not met then the percentage of quality would be reduced. For example if one report out of five reports issued for the year was not reviewed by the Audit Manager and/or the Auditor General and "agreed by client" then the quality percentage would be 80% (i.e. four out of the five reports met the criteria).

Timeliness Percentage's Explained:

For the 2007-08 year we indicated timeliness by the percentage in which we expected to produce the actual report, or when the fieldwork would be completed based on quantity percentage completed. Therefore the following percentage's should be applied:

**0%** - report was not issued as expected or the fieldwork was not completed in a timely manner.

**100%** - report issued.

N/A – This measure will be used to indicate if the report was not expected to be completed during the current year, or if the fieldwork was not expected to be completed during the current year.

There should be no percentage disclosed between 0% and 100% as 0% represents the timeline was not met and 100% represents timeline was met. Therefore, our budgeted numbers may not accurately reflect what was intended as these were measuring against the percentage of the job completed, but not whether it was timely or not.

In regards to providing specialist technical advice to Government Organizations, timeliness is measured by:

**0%** - Advice not provided in the timeframe expected by the Government Organization.

**100%** - Advice provided in the timeframe expected by the Government Organization.

Location Percentage's Explained:

For the work we carry out we indicate where the location of the work is to be performed – 3<sup>rd</sup> Floor Anderson Square, George Town (our Office location) and at the Auditee's Premises – Cayman Islands.

**0%** - Fieldwork not performed at Audit Office or client's premises.

**100%** - Fieldwork performed at Audit Office or client's premises.

### **AUD-03 Advice, Assistance and Reports to the Legislative Assembly and its Committees**

Our Office provides assistance to the Legislative Assembly and its Committees in several ways. It provides liaison services on general matters and acts as a resource in the preparation for Public Accounts Committee (PAC) deliberations on reports submitted by the Auditor General to the Legislative Assembly. This includes providing background information to the PAC prior to its deliberations as well as attending PAC deliberations.

During 2007-08 we submitted one new report to the Speaker, which was on *The Review of the Debt Financing Arrangements for Boatswain's Beach*. This report became a public document under the Standing Orders of the Legislative Assembly.

In addition, twelve PAC meetings and sessions were held during year. One new report on the Special Report of the Auditor General on the 1999 Financial Statements of the Public Service Pension Board was issued by PAC during the fourth quarter (April 2008). This report is also now a public document.

As at 30 June 2008 there were several Auditor General reports outstanding for PAC to review. Many of these reports are not yet public documents as they fall under the previous Standing Orders. Outlined below are the audit reports which are to be reviewed by PAC (reports that are public documents are highlighted in bold below):

1. Special Report of the Auditor General on Caribbean Utilities Company Ltd – Summary Report October 2003, submitted March 2005 - PAC review not started.
2. Special Report of the Auditor General on Affordable Housing Initiative, submitted in March 2005 - PAC review not started.
3. Auditor General's Report on Government Financial Statements – June 2004, submitted December 2005 – PAC review has been completed and PAC report is being finalized.
4. **The Special Report on the Royal Watler Cruise Terminal Capital Project**, submitted to the Speaker in May 2006. PAC review has been completed and PAC report is being finalized. This Report is a public document as it fell under the new Standing Orders.
5. **Special Report of the Auditor General on Cayman Islands Government Property Insurance Settlement – Post Ivan**, submitted to the Speaker in February 2007 - PAC review not started. However, this Report is a public document as it fell under the new Standing Orders.
6. **Special Report - The Review of the Debt Financing Arrangements for Boatswain's Beach**, submitted to the Speaker in July 2007 - PAC review not started. However, this Report is a public document as it fell under the new Standing Orders.



Explanation of Percentages used in Output Statement AUD 3 – Advice and Assistance to the Public Accounts Committee (PAC) including attendance at PAC meetings and PAC Reporting:

Quantity Percentage's Explained:

Based on our experiences to date in providing advice and assistance to PAC, we have broken the process into 4 main stages. The 4 stages, and the usual percentages of the total effort expended in each stage, are explained below:

**0 - 69%.** The initial step to providing assistance and advice to PAC begins when the Auditor General submits a Report to PAC for their review. No measure for this output is recognised until we have held initial meetings with PAC to brief them on the report. Thereafter we will suggest a list of witnesses that PAC may wish to call and potential questions to be asked of the witnesses based on the report.

**70 - 89%.** Auditor General and applicable staff from the Office attend PAC meetings held where witnesses are called and questions posed to the witnesses. The Auditor General provides specific information or advice to the PAC when called upon to do so during the meeting and/or will provide supporting documentation afterwards.

**90 - 99%.** The Audit Office provides support to the PAC in drafting their report on the Auditor General's Report and the evidence they have gathered from the witnesses and make recommendations to the Legislative Assembly.

**100%.** The PAC report is tabled in the Legislative Assembly along with the Auditor General's Report thereby making the Auditor General's Report a public document.

It should be noted that these activities are at the sole discretion of the PAC. The Audit Office controls neither the timing nor the contents of these reports. It merely acts in an advisory role to assist the PAC in its deliberations.

Quality Percentage's Explained:

The final reports are to be reviewed by the Audit Manager and/or the Auditor General.

- 0% - this was not performed
- 100% - performed

In regards to the provision of Committee support services to the satisfaction of PAC, their satisfaction is measured by a confirmation letter at year end.

- 0% - PAC confirmed that support services were not to its satisfaction
- 100% - PAC confirmed that support services were to its satisfaction

Timeliness Percentage's Explained:

The percentage is based on the number of reports that were made publicly available in a timely manner. For example, if two reports were made public during the current fiscal year, but only 1 report was made publicly available within the timeframe anticipated then the timeliness percentage would be recorded as 50%.

The basis for the timeliness measures are as follows:

- 0% - Auditor General Reports did not become publicly available within one week of submission to the Honourable Speaker of the Legislative Assembly.

**100%** - Auditor General Reports became are publicly available within one week of submission to the Honourable Speaker of the Legislative Assembly.

**0%** - Auditor General Reports did not become publicly available within two days on the Government website.

**100%** - Auditor General Reports became publicly available within two days on the Government website.

Location Percentage's Explained:

For the work we carry out we indicate where the location of the work is to be performed – 3<sup>rd</sup> Floor Anderson Square, George Town (our Office location) and at the Auditee's Premises – Cayman Islands.

**0%** - Fieldwork not performed at Audit Office or client's premises

**100%** - Fieldwork performed at Audit Office or client's premises.

**Ownership Performance**

During the year of 2007-08 year we have experienced a deficit of \$30,441. Our goal is to break even as evidenced by our budget. The deficit has nominal impact to our cash flow situation as this was remedied by the equity injection of \$177,000 the Office received in December 2007.

Our human resource capabilities and capital resources have been adequately maintained during the year.

**Part A**

**Outputs Delivered During the Year**

## 2. Outputs Delivered

AUD-02		Investigations and Reports		
<p><b>Description</b> One general report in each financial year on Government's financial statements.</p> <p>Investigations into and Reports on:</p> <ul style="list-style-type: none"> <li>• Management of executive transactions</li> <li>• Financial Management of Entire Public Sector or of any Ministry, Portfolio, Statutory Authority or Government Company</li> <li>• Economy, efficiency and effectiveness (value for money)</li> <li>• Information Systems Controls</li> </ul>				
Measures		2007-8 Actual	2007/8 Budget	Annual Variance
<b>Quantity</b>	<ul style="list-style-type: none"> <li>• Auditor General's Report on Government Financial Statements Year Ended 30 June 2007</li> <li>• VFM Audit – Construction of Other Schools</li> <li>• VFM Audit - Cayman Brac &amp; Little Cayman</li> <li>• VFM Audit – Customs Waivers and Duties</li> <li>• Special Report on the State of Financial Accountability</li> <li>• VFM Audit – Scrap Metal Tender and Contract with Matrix International Inc.</li> <li>• VFM Audit – Boatswain Beach Development Project</li> <li>• VFM Audit – Dept. of Tourism – Overseas Offices Operations expenditures</li> <li>• Specialist Technical Advice to Government Organizations</li> <li>• Minor Reports – advisory &amp; consultations</li> </ul> <p><b><u>Completion of Work in Progress Brought Forward 2006-07</u></b></p> <ul style="list-style-type: none"> <li>• Auditor General's Report on Government financial statements Year Ended 30 June 2006</li> <li>• Auditor General's Report on Government financial statements Year Ended 30 June 2005</li> <li>• VFM- Construction of Prospect primary school</li> <li>• Land Acquisitions and Grants of Crown Land</li> <li>• Government Accommodation Project</li> <li>• Hurricane Ivan: Capital Disposals and Additions Across Entire Public Sector.</li> <li>• The Review of the Debt Financing Arrangements for Boatswain's Beach</li> </ul>	<p>0%</p> <p>0%</p> <p>35%</p> <p>10%</p> <p>85%</p> <p>85%</p> <p>75%</p> <p>10%</p> <p>673.75 hours</p> <p>10-100%</p> <p>0%</p> <p>10%</p> <p>0%</p> <p>0%</p> <p>0%</p> <p>75%</p> <p>100%</p>	<p>75-100%</p> <p>50-75%</p> <p>50-75%</p> <p>90-100%</p> <p>NEW</p> <p>NEW</p> <p>NEW</p> <p>NEW</p> <p>NEW</p> <p>100%</p> <p>100%</p> <p>75-100%</p> <p>75-100%</p> <p>50-75%</p> <p>Not Brought Forward</p> <p>Not Brought Forward</p>	<p>(75-100%)</p> <p>(50-75%)</p> <p>(15-40%)</p> <p>(80-90%)</p> <p>85%</p> <p>85%</p> <p>75%</p> <p>10%</p> <p>673.75 hours</p> <p>(0-90%)</p> <p>(100%)</p> <p>(90%)</p> <p>(75-100%)</p> <p>(75-100%)</p> <p>(50-75%)</p> <p>75%</p> <p>100%</p>
<b>Quality</b>	Reports to be reviewed by the Audit Manager and/or the Auditor General and "agreed by client".	100%	100%	0%

<b>Timeliness</b>				
	<ul style="list-style-type: none"> <li>• Auditor General's Report on Government Financial Statements Year Ended 30 June 2007 (by end of November 2007 per PMFL (2005 Revision)). Report to be completed by June 2008</li> <li>• VFM Audit – Construction of Other Schools</li> <li>• VFM Audit - Cayman Brac &amp; Little Cayman</li> <li>• VFM Audit – Customs Waivers and Duties to be completed by May 2008</li> <li>• State of Financial Accountability</li> <li>• VFM Audit – Scrap Metal Tender and Contract with Matrix International Inc.</li> <li>• VFM Audit – Boatswain Beach Development Project</li> <li>• VFM Audit – Dept. of Tourism – Overseas Offices Operations expenditures</li> <li>• Specialist Technical Advice to Government Organizations</li> <li>• Minor Reports – advisory &amp; consultations to be completed by June 2008</li> </ul>	0%	100%	(100%)
		0%	0%	0%
		0%	0%	0%
		0%	100%	(100%)
		0%	NEW	0%
		0%	NEW	0%
		0%	NEW	0%
		0%	NEW	0%
		100%	NEW	0%
		0-100%	100%	(0-100%)
	<b><u>Completion of Work in Progress Brought Forward 2005-06</u></b>			
	<ul style="list-style-type: none"> <li>• Auditor General's Report on Government financial statements Year Ended 30 June 2006 to be completed by December 2007</li> <li>• Auditor General's Report on Government financial statements Year Ended 30 June 2005 to be completed by September 2007</li> <li>• VFM- Construction of Prospect primary school to be completed by March 2008</li> <li>• Land Acquisitions and Grants of Crown Land to be completed by May 2008</li> <li>• Government Accommodation Project</li> <li>• Hurricane Ivan: Capital Disposals and Additions Across Entire Public Sector.</li> <li>• The Review of the Debt Financing Arrangements for Boatswain's Beach</li> </ul>	0%	100%	(100%)
		0%	100%	(100%)
		0%	100%	(100%)
		0%	0%	(0%)
		0%	Not brought forward	0%
		100%	Not brought forward	100%
<b>Location</b>	3 <sup>rd</sup> Floor, Anderson Square, George Town Auditee Premises – Cayman Islands	100%	100%	0%
	<b>Cost (of producing the output)</b>	<b>\$211,082</b>	<b>\$554,000</b>	<b>(\$342,918)</b>
	<b>Price (paid by Cabinet for the output)</b>	<b>\$457,326</b>	<b>\$554,000</b>	<b>(\$96,674)</b>
<b>Related Broad Outcomes:</b>				
10. Open, Transparent and Efficient Public Administration				
11. Sound Fiscal Management				

Explanation of Variances:

Quantity:

There were two audits, which we did work on in 2007-08, that were not brought forward from the previous year's work as we were anticipating these reports to have been completed in 2006-07. However, in July 2007 we did finalize and issue one report called the *Special Report of the Auditor General on The Review of the Debt Financing Arrangements for Boatswain's Beach*.

We anticipated issuing two reports during 2007-08 as we budgeted 100% completion and thought another four reports may get issued (i.e. indicated by 75-100% completion in the budget column). However, as a result of changing priorities within the Office we deemed several of these audits to be of a lesser priority and began five new audits that were not budgeted for (i.e. disclosed as NEW in the budget column). These five new audits are at various stages of completion. As a result, several audits did not get completed or even started that we anticipated doing when preparing the budget.

Timeliness:

We anticipated issuing six new reports during the 2007-08 year as we budgeted 100% completions, these were: 1) Auditor General's Report on Government Financial Statements for the Year Ended 30 June 2007; 2) Auditor General's Report on Government Financial Statements for the Year Ended 30 June 2006; 3) Auditor General's Report on Government Financial Statements for the Year Ended 30 June 2005; 4) VFM Audit on Custom's Waivers & Duties; 5) VFM- Construction of Prospect primary school; and 6) Land Acquisitions and Grants of Crown Land.

There has been a substantial delay in the Government's Financial & Output Statements for the Years Ended 30 June 2005, 2006 and 2007. We do not foresee these two reports being issued in the foreseeable future.

Cost & Price Paid

The price paid for producing the outputs was more than expected due to the individuals working on these projects were at a higher level and therefore the charge out rate was more.

AUD-03		Advice, Assistance and Reports to the Legislative Assembly and its Committees		
Description				
Advice and Assistance to the Public Accounts Committee (PAC) including attendance at PAC meetings and PAC Reporting. The reports listed below are to be submitted to PAC and reviewed by PAC. PAC will then table their report in the Legislative Assembly. The Audit Office will provide advice and assistance to the PAC during their deliberations of these reports and in its preparation of the PAC report.				
Measures		2007/8 Actual	2007/8 Budget	Annual Variance
Quantity	<ul style="list-style-type: none"> <li>• Special Report of the Auditor General on the 1999 Financial Statements of the Public Service Pension Board (submitted to PAC April 2003)</li> <li>• Special Report - Caribbean Utilities Company Ltd - Summary Report (submitted to PAC March 2005)</li> <li>• Special Report - The Affordable Housing Initiative (submitted to PAC March 2005)</li> <li>• Auditor General's Report on Government financial statements - June 2004 (submitted to PAC December 2005)</li> <li>• Special Report – The Royal Watler Cruise Terminal Capital Project (submitted to PAC May 2006)</li> <li>• Special Report – CI Gov't Property Insurance Settlement – Post Ivan (submitted to PAC February 2007)</li> <li>• Special Report - The Review of the Debt Financing Arrangements for Boatswain's Beach (submitted to PAC July 2007)</li> <li>• Hurricane Ivan: Capital Disposals and Additions Across Entire Public Sector (Not submitted)</li> <li>• Public Service Pension Board – Follow-up Report (not submitted)</li> <li>• Auditor General's Report on Government financial statements Year Ended 30 June 2005 (not submitted)</li> <li>• Auditor General's Report on Government financial statements Year Ended 30 June 2006 (not submitted)</li> <li>• VFM- Construction of Prospect Primary School (not submitted)</li> <li>• Land Acquisitions and Grants of Crown Land (not submitted)</li> <li>• VFM Audit – Customs Waivers and Duties (not submitted)</li> <li>• Auditor General's Report on Government Financial Statements Year Ended 30 June 2007</li> </ul>			
	PAC Briefing and Evidence Sessions attended	12 sessions	30-40 sessions	(18-28 sessions)

<b>Quality</b>	Reports to be reviewed by the Audit Manager and/or the Auditor General.	100%	100%	0%
	Provision of Committee support services to the satisfaction of the PAC.	100%	100%	0%
<b>Timeliness</b>	Advice and Assistance to be provided within the timeframe required and agreed with the Public Accounts Committee: Proposed:	100%	100%	0%
	<ul style="list-style-type: none"> <li>Auditor General Reports become public documents within one week of submission to the Honourable Speaker of the Legislative Assembly</li> </ul>	100%	100%	(0%)
	<ul style="list-style-type: none"> <li>Public Availability through website within 2 days after becoming a public document.</li> </ul>	50%	100%	(50%)
<b>Location</b>	Audit Office, 3 <sup>rd</sup> Floor Anderson Square, George Town Legislative Assembly Building, Grand Cayman	100%	100%	0%
<b>Cost (of producing the output)</b>		<b>\$70,592</b>	<b>\$160,000</b>	<b>(\$89,408)</b>
<b>Price (paid by Cabinet for the output)</b>		<b>\$110,534</b>	<b>\$160,000</b>	<b>(\$49,466)</b>
<b>Related Broad Outcomes:</b>				
10. Open, Transparent and Efficient Public Administration				
11. Sound Fiscal Management				

Explanation of Variances:

Quantity

There were 12 PAC meetings held during 2007-08. We anticipated that there would have been 30 – 40 sessions held to deal with the backlog of reports. We had anticipated completing 6 reports during 2006-07, but only managed to complete one (*Special Report of the Auditor General on the 1999 Financial Statements of the Public Service Pension Board*) and made good progress on two other reports that are estimated to be 85 & 90% complete as at the end of June.

At year end PAC has not started to review 4 reports submitted and therefore we have recorded 0% in the actual column for these reports.

Cost & Price Paid

We anticipated holding more PAC meetings or briefing sessions and therefore are under budget.



### 3. Payment Arrangements

Cabinet will pay the Cayman Islands Audit Office for deliver of the outputs described in Part A.

Payment is made on the basis of an invoice provided monthly to the Public Accounts Committee. The invoice contains sufficient evidence of the outputs delivered for the PAC Chairman to be able to satisfy himself that the outputs have in fact been delivered.

Invoices are typically paid within 20 days of the end of the month following the invoice date.

The expected amount of each invoice for outputs to be delivered during the year is outlined in the following table.

Table 1: Expected Versus Actual Invoice Profile

MONTH	EXPECTED AMOUNT OF INVOICE FOR OUTPUTS SUPPLIED: \$714,000					
	Actual AUD 2	Budget AUD 2	Actual AUD 3	Budget AUD 3	Actual Total	Budget Total
July	\$34,895	\$55,000	\$27,468	\$8,000	\$62,363	\$63,000
August	\$32,498	\$45,000	\$11,407	\$8,000	\$43,905	\$53,000
September	\$30,252	\$35,000	\$15,209	\$17,000	\$45,461	\$52,000
October	31,070	\$30,000	6,208	\$18,000	37,278	\$48,000
November	21,950	\$30,000	1,375	\$20,000	23,325	\$50,000
December	10,939	\$45,000	0	\$13,000	10,939	\$58,000
January	20,966	\$45,000	1,365	\$13,000	22,331	\$58,000
February	34,021	\$55,000	3,270	\$13,000	37,291	\$68,000
March	57,835	\$55,000	6,722	\$10,000	64,557	\$65,000
April	78,067	\$50,000	10,462	\$10,000	88,529	\$60,000
May	30,888	\$64,000	19,135	\$14,000	50,023	\$78,000
June	73,945	\$45,000	7,913	\$16,000	81,858	\$61,000
<b>TOTAL</b>	<b>\$457,326</b>	<b>\$554,000</b>	<b>\$110,534</b>	<b>\$160,000</b>	<b>567,860</b>	<b>\$714,000</b>

**Part B**

**Ownership Performance Achieved During the Year**

## **4. Nature and Scope of Activities**

### **Approved Nature of Activities**

The provision of independent audit services to the Legislative Assembly, comprising of information, advice and assurance on whether Government's activities have been carried out and accounted for in accordance with the Legislature's intention and with due regard to securing value for money and the avoidance of waste.

### **Scope of Activities:**

Financial Statement attest services for:

- ◆ The Entire Public Sector (EPS) financial statements
- ◆ The financial statements of Statutory Authorities, Government companies and certain non-public funds.

Provision of special investigation services and the production of Auditor General Reports to the Legislative Assembly and/or to management into:

- ◆ Management of executive transactions
- ◆ Financial management of EPS or of any Ministry, Portfolio, agency or Statutory Authority
- ◆ Economy, efficiency, effectiveness in the way any Ministry, Portfolio, agency or Statutory Authority has used its resources in discharging its functions
- ◆ Information systems audits
- ◆ Accounting and other specialist technical advice to Chief Officers
- ◆ Investigations into the financial management or affairs of persons, companies and other bodies in the public interest at the request of the Governor.

Support for public accountability through

- ◆ Assistance and advice to Public Accounts Committee
- ◆ Transitional work to support the Financial Management Initiative (FMI).

### **Customers and Location of Activities**

Customers: The Legislative Assembly, the Public Accounts Committee, and Cabinet.  
Audit Clients: All Ministries/Portfolios, all Statutory Authorities and Government Companies.  
Locations: Audit Office, 3<sup>rd</sup> Floor Anderson Square, George Town

### **Compliance during the Year**

Independent audit services were provided to the Legislative Assembly during the year of 2007-08. The nature and scope of the activities of the Audit Office are regulated by the Public Management and Finance Law, (2005 Revision). In this respect, the scope of our activities for the year has complied with and remains unchanged from our Annual Budget Statement for 2007-08.

However, there have been changes in overall prioritization of audits and timing differences for various reasons. This is normal as part of the ongoing evaluation and prioritization of activities within the Audit Office. These changes have been further discussed in the Summary of Output Performance above.

## 5. Strategic Ownership Goals

The key strategic ownership goals for the Audit Office in 2007-08 and the subsequent two years are as follows:

- ◆ To develop and strengthen the Audit Office's human resource capability in order to provide an effective and efficient audit service and to prepare for the challenges of the Financial Management Initiative (FMI).
- ◆ To ensure that we meet the needs and expectations of our stakeholders by focusing our resources on matters offering greatest potential to improve performance and accountability.
- ◆ To continuously improve our business management through strategic planning to identify and give priority to the most important risks.
- ◆ To enhance the independence of the Auditor General's Office through greater financial and operational autonomy.
- ◆ To enhance the effectiveness of public accountability through the release of relevant and timely audit reports to all stakeholders.

### Achievement during the Year

The strategic ownership goals of the Audit Office have not altered from the statements made in our annual budget statement. Progress has been made towards all strategic ownership goals. However, many of these are long-term in nature and will take several years to realize.

The independence of the Audit Office is continuing to improve through the billings of financial attest services to all clients. This provides greater financial autonomy for the Audit Office.

## 6. Ownership Performance Targets

### 6.1 Financial Performance

Financial Performance Measures	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Revenue from Cabinet	567,860	714,000	(146,140)
Revenue from ministries, portfolios, statutory authorities, government companies	1,568,488	1,826,000	(257,512)
Revenue from others	2,795	0	2,795
Surplus/deficit from outputs			
Ownership expenses			
<b>Operating (Deficit)/Surplus</b>	<b>(30,441)</b>	<b>0</b>	<b>(30,441)</b>
Net Worth	373,484	405,000	(31,516)
Cash flows from operating activities	(94,658)	20,000	(114,658)
Cash flows from investing activities	(12,822)	(15,000)	2,178
Cash flows from financing activities	177,000	-	177,000
Change in cash balances	69,520	5,000	64,520

#### Explanation of Variances:

Our revenues for the year were down from budget as we had two employees on maternity leave, but we were able to hold our expenditures in line and had only a nominal operating deficit \$30,441. Our cash flows from operating activities decreased significantly as we were carrying a larger accounts receivable balance at year end than expected. However, the overall net change in cash balances increased by \$69,520 due to the equity injection of \$177,000.

Financial Performance Ratios	2007/8 Actual %	2007/8 Budget %	Annual Variance %
Current Assets: Current Liabilities (Working Capital)	193	285	(92)
Total Assets: Total Liabilities	210	317	(107)

#### Explanation of Variances:

The current assets ratio to current liabilities ratio was less than budgeted as we had more accounts payable & employee entitlements than we had anticipated in our budget. This also impacted the ratio for total assets to total liabilities in a negative manner from budget.

However, the ratio in both cases indicates that we should be able to meet all of our current obligations.

## 6.2 Maintenance of Capability

Human Capital Measures	2007/8 Actual	2007/8 Budget	Annual Variance
Total full time equivalent staff employed	21	20	1
Staff turnover (%)			
Managers	0%	25-30%	(25-30%)
Professional and technical staff	5%	20-25%	(15-20%)
Clerical and labourer staff	0%	0%	0%
Average length of service (number of years in current position)			
Managers	7	6	1
Professional and technical staff	3	3	0
Clerical and labourer staff	6	8	(2)
Changes to personnel management system:	<i>None</i>		

### Explanation of Variances:

During the year one member of our professional staff left in the second quarter and was replaced in the second quarter. Three new professional staff members were hired in the third quarter to bring our staff numbers to our budget numbers. In the fourth quarter we hired one additional clerical and labourer staff to replace a staff member leaving in the first quarter of the 2008-09 fiscal year. This increased our numbers above budget by 1 full time equivalent position. There have been no changes in our Personnel management system.

Physical Capital Measures	2007/8 Actual	2007/8 Budget	Annual Variance
Value of total assets	\$713,000	\$592,000	\$121,000
Asset replacements: total assets	1.7%	2.5%	(0.8%)
Book value of assets: initial cost of those assets	48%	53%	(5%)
Depreciation: cash flow on asset purchases	167%	133%	34%
Changes to asset management policies	<b>None</b>		

### Explanation of Variances:

Total assets increased from budget due to the significant increase accounts receivables from budget.

<b>Major <u>New</u> Entity Capital Expenditures for the Year</b>	<b>2007/8 Actual \$</b>	<b>2007/8 Budget \$</b>	<b>Annual Variance \$</b>
Purchase of Colour Printer, Shredder, 5 laptop computers	\$12,882	\$15,000	(\$2,118)

Explanation of Variances:

During the year a fully depreciated colour printer was replaced. The old colour printer was given to the Women's Resource Centre. A shredder was purchased to replace an old shredder. Five new laptop computers were purchased at a cost lower than budgeted.

<b>Major Entity Capital Expenditures continuing from previous years</b>	<b>2007/8 Actual \$</b>	<b>2007/8 Budget \$</b>	<b>Annual Variance \$</b>
N/A			

Explanation of Variances:

We have no capital projects in progress.

### 6.3 Risk Management

Risk	Actual Action Taken During Year to Manage Risk	Planned Action to Manage Risk
<p>1.a Issuing an inappropriate audit opinion on government accounts, costed outputs and QQTL measures.</p> <p>1.b Inappropriate conclusions and advice to agencies drawn from interim audit attest work.</p>	<p><b>Internal activity:</b> Improved knowledge of business for all agencies and outputs.</p> <p>More emphasis given to risk-based audit planning.</p> <p>Further refine the output audit methodology for costing.</p> <p>Attempted greater focus on IT systems assurance, but did not have an IT auditor or staff during the year.</p> <p><b>External activity:</b> Invited CO and CFO participation in audit planning to ensure effective co-operation.</p>	Not Quantifiable
2. Natural Disaster	<p><b>Internal Activity:</b> Employee awareness of risk and taking necessary precaution to protect physical assets and important information.</p>	Not Quantifiable

Explanation of Variances:

Risks have been managed in a proper manner during the year as knowledge of business increased for all entities due to the audits of outputs within Ministries and Portfolios.

### 7. Equity Investments and Withdrawals

Equity Movement	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Equity Investment from Cabinet into the Cayman Islands Audit Office	\$177,000	-	\$177,000
Capital (Equity) Withdrawal by Cabinet from the Cayman Islands Audit Office	-	-	-

Explanation of Variances:

Equity injection from Cabinet was budgeted for in the 2006-7 supplementary budget. However, funds were not received until December 2007 and are recognized in the 2007/8 financial statements of the Audit Office.



## **Appendix: Financial Statements for the Year**

### ***CONTENTS***

Statement of Responsibility

Operating Statement

Statement of Changes in Net Worth

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Statement of Accounting Policies

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### ***Cayman Islands Audit Office***

#### **STATEMENT OF RESPONSIBILITY FOR FORECAST FINANCIAL STATEMENTS**

These financial statements have been prepared by the Cayman Islands Audit Office in accordance with the provisions of the Public Management and Finance Law (2005 Revision)

I accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the Public Management and Finance Law (2005 Revision).

To the best of my knowledge the financial statements:

- (a) are complete and reliable;
- (b) fairly reflect the financial position as at 30 June 2008 and the financial performance for the year ended 30 June 2008;
- (c) comply with generally accepted accounting practice.



*Dan Duguay, MBA, FCGA*  
*Auditor General*  
*Cayman Islands Audit Office*  
*31 October 2008*

**CAYMAN ISLANDS AUDIT OFFICE  
OPERATING STATEMENT  
FOR THE YEAR 30 JUNE 2008  
(Expressed in Cayman Islands Dollars)**

	Note	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
<b>Revenue</b>				
Outputs to Cabinet		568	714	514
Outputs to other government agencies		1,568	1,826	1,341
Outputs to others		-	-	19
Interest Revenue		3	-	4
<b>Total Operating Revenue</b>		<u>2,139</u>	<u>2,540</u>	<u>1,878</u>
<b>Operating Expenses</b>				
Personnel costs	1	1,670	1,767	1,431
Supplies and consumables	2	456	728	365
Capital charge	3	22	25	15
Depreciation	7	20	20	20
Other operating expenses		1	-	1
<b>Total Operating Expenses</b>		<u>2,169</u>	<u>2,540</u>	<u>1,832</u>
<b>(Deficit)/Surplus from operating activities</b>		<u>(30)</u>	<u>-</u>	<u>46</u>
(Losses)/Gains on foreign exchange transactions		-	-	-
(Losses)/Gains on disposal or revaluation of non-current assets		(1)	-	-
<b>(Deficit)/Surplus before extraordinary items</b>		<u>(31)</u>	<u>-</u>	<u>46</u>
Extraordinary items		-	-	-
<b>Net (Deficit)/Surplus</b>		<u>(31)</u>	<u>-</u>	<u>46</u>

The accounting policies and notes on pages 32 to 41 form part of these financial statements.

**CAYMAN ISLANDS AUDIT OFFICE  
STATEMENT OF CHANGES IN NET WORTH  
FOR THE YEAR ENDED 30 JUNE 2008**  
(Expressed in Cayman Islands Dollars)

	<b>2007/8 Actual \$000</b>	<b>2007/8 Budget \$000</b>	<b>2006/7 Actual \$000</b>
<b>Opening balance net worth</b>	228	405	228
Net (deficit)/surplus	(31)	-	46
Property revaluations	-	-	-
Investment revaluations	-	-	-
Net revaluations during the period	-	-	-
<b>Total recognised revenues and expenses</b>	<b>(31)</b>	<b>-</b>	<b>46</b>
Equity investment from Cabinet	177	-	-
Repayment of surplus to Cabinet	-	-	(46)
Capital withdrawal by Cabinet	-	-	-
<b>Closing balance net worth</b>	<b>374</b>	<b>405</b>	<b>228</b>

The accounting policies and notes on pages 32 to 41 form part of these financial statements.

**CAYMAN ISLANDS AUDIT OFFICE  
BALANCE SHEET  
AS AT 30 JUNE 2008  
(Expressed in Cayman Islands Dollars)**

	Note	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
<b>Current Assets</b>				
Cash and cash equivalents	4	132	283	62
Accounts receivable, work in progress & prepayments	5	522	250	313
Inventories	6	-	-	-
<b>Total Current Assets</b>		<u>654</u>	<u>533</u>	<u>375</u>
<b>Non-Current Assets</b>				
Property, plant and equipment	7	59	59	67
Other non-current assets		-	-	-
<b>Total Non-Current Assets</b>		<u>59</u>	<u>59</u>	<u>67</u>
<b>Total Assets</b>		<u>713</u>	<u>592</u>	<u>442</u>
<b>Current Liabilities</b>				
Accounts payable	8	173	112	139
Unearned revenue		-	-	3
Employee entitlements	9	166	75	72
Other current liabilities		-	-	-
<b>Total Current Liabilities</b>		<u>339</u>	<u>187</u>	<u>214</u>
<b>Non-Current Liabilities</b>				
Employee entitlements	10	-	-	-
Other non-current liabilities	11	-	-	-
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>339</u>	<u>187</u>	<u>214</u>
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<u>374</u>	<u>405</u>	<u>228</u>
<b>NET WORTH</b>				
Contributed capital		400	405	223
Asset revaluation reserve		-	-	-
Accumulated (deficits)/surpluses		(26)	-	5
<b>TOTAL NET WORTH</b>		<u>374</u>	<u>405</u>	<u>228</u>

The accounting policies and notes on pages 32 to 41 form part of these financial statements.

**CAYMAN ISLANDS AUDIT OFFICE  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008  
(Expressed in Cayman Islands Dollars)**

	Note	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts				
Outputs to Cabinet		473	694	476
Outputs to other government agencies		1,453	1,868	1,309
Outputs to others		8	-	11
Interest received		2	-	4
Payments				
Personnel costs		(1,583)	(1,768)	(1,429)
Suppliers		(436)	(749)	(358)
Capital Charge		(11)	(25)	(28)
Other payments		(1)	-	(1)
<b>Net cash flows from operating activities</b>	<b>12</b>	<b>(95)</b>	<b>20</b>	<b>(16)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of non-current assets		(12)	(15)	(7)
Proceeds from sale of non-current assets		-	-	-
<b>Net cash flows from investing activities</b>		<b>(12)</b>	<b>(15)</b>	<b>(7)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Equity investment		177	-	-
Repayment of surplus		-	-	-
Capital withdrawal		-	-	-
<b>Net cash flows from financing activities</b>		<b>177</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>70</b>	<b>5</b>	<b>(23)</b>
Cash and cash equivalents at beginning of period		62	278	85
<b>Cash and cash equivalents at end of period</b>	<b>4</b>	<b>132</b>	<b>283</b>	<b>62</b>

The accounting policies and notes on pages 32 to 41 form part of these financial statements.

**CAYMAN ISLANDS AUDIT OFFICE  
STATEMENT OF COMMITMENTS  
AS AT 30 JUNE 2008**  
(Expressed in Cayman Islands Dollars)

Type	One year or less	One to five years	Over five years	30 June 2008 Total	30 June 2007 Total
	\$000	\$000	\$000	\$000	\$000
<b>Capital Commitments</b>	-	-	-	-	-
Land and buildings	-	-	-	-	-
Other fixed assets	-	-	-	-	-
Other commitments [list separately if material]	-	-	-	-	-
<b>Total Capital Commitments</b>	-	-	-	-	-
<b>Operating Commitments</b>					
Non-cancellable accommodation leases	86	-	-	86	172
Other non-cancellable leases	-	-	-	-	-
Non-cancellable contracts for the supply of goods and services	-	-	-	-	-
Other operating commitments	-	-	-	-	-
<b>Total Operating Commitments</b>	<b>86</b>	-	-	<b>86</b>	<b>172</b>
<b>Total Commitments</b>	<b>86</b>	-	-	<b>86</b>	<b>172</b>

The accounting policies and notes on pages 32 to 41 form part of these financial statements.

**CAYMAN ISLANDS AUDIT OFFICE  
STATEMENT OF CONTINGENT LIABILITIES  
AS AT 30 JUNE 2008  
(Expressed in Cayman Islands Dollars)**

**Summary of Quantifiable Contingent Liabilities**

	<b>30 June 2008 \$000</b>	<b>30 June 2007 \$000</b>
<b>Legal Proceedings and Disputes</b>		
None	-	-
<b>Total Legal Proceedings and Disputes</b>	<hr/> -	<hr/> -
<b>Other Contingent Liabilities</b>		
None	-	-
<b>Total Other Contingent Liabilities</b>	<hr/> -	<hr/> -
<b>Summary of Non-Quantifiable Contingent Liabilities</b>		
	None	None

The accounting policies and notes on pages 32 to 41 form part of these financial statements.

**CAYMAN ISLANDS AUDIT OFFICE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2008**

**Background Information**

The Cayman Islands Audit Office (the "Audit Office") was established under the Cayman Islands (Constitution) (Amendment) Order 1993 Section 55B and is also referred to as the Office of the Auditor General, which is a public office.

The Audit Office's activities include work undertaken by the Office of the Auditor General and Audit Service Providers (private sector auditors appointed by the Auditor General).

The main source of revenue is earned from contracted services provided to the Cayman Islands Government. The Audit Office is dependent on this source of income to continue in operation for the foreseeable future.

The Audit Office is located on the Third Floor, Anderson Square, Shedden Road, George Town, Grand Cayman. As at 30 June 2008, the Audit Office had a staff compliment of 21 employees (30 June 2007: 18).

**General Accounting Policies**

***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with International Public Sector Accounting Standards (IPSASs) using the accrual basis of accounting.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently.

***Reporting Period***

The reporting period is the year ended 30 June 2008.

The 2007/8 Budget figures disclosed in these financial statements are the amounts included in the original forecast for the financial year ended 30 June 2008. The 2007/8 Budget figures included in these financial statements have been approved by Public Accounts Committee and the Legislative Assembly.

**Specific Accounting Policies**

***Revenue***

***Output revenue***

The Audit Office derives its revenue from the Public Accounts Committee for outputs provided to and at the request of the Legislative Assembly. The Audit Office also earns output revenue consisting of fees for attest services, other assurance work and special assignments undertaken on the initiative of the Auditor General or at the request of the Governor of the Cayman Islands. Output revenue is recognised in the accounting period in which it is earned.

***Interest revenue***

Interest revenue is recognised in the period in which it is earned.

***Expenses***

***General***

Expenses are recognised when incurred.

***Depreciation***

Depreciation of non-financial physical assets is provided on a straight-line basis at rates based on the expected useful lives of those assets.



**CAYMAN ISLANDS AUDIT OFFICE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2008**

**Specific Accounting Policies (continued)**

*Leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are recognized as an expense on a straight line basis over the lease term.

*Capital Charge*

Capital charges on the net assets due to the Cayman Islands Government are recognised as an expense in the period in which they are incurred.

**Assets**

*Cash and cash equivalents*

Cash and cash equivalents include cash held at call in a bank account in the name of the Cayman Islands Audit Office maintained with the Royal Bank of Canada in the Cayman Islands.

*Accounts Receivables*

Accounts receivables are recognised initially at fair value less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Audit Office will not be able to collect all amounts due according to the original terms of the receivables. Significant delays in payments (more than 120 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are recognized as revenue in the operating statement.

*Work in Progress*

Work in progress represents time spent performing contracted services that has not yet been billed. Work in progress is stated at net realisable value.

*Inventory*

Inventories are recorded at the lower of cost and net current value. Where inventories are valued at cost, specific identification or the FIFO method has been used. Appropriate allowance has been made for obsolescence.

*Property, Plant and Equipment*

Property, plant and equipment are carried at historical cost (which includes acquisition cost) less accumulated depreciation and are depreciated on the straight line basis at the following rates and estimated useful lives:

Furniture and fittings	6.66% (15 years) to 20% (5 years)
Computer Equipment	33.33% (3 years)
Office Equipment	10% (10 years) to 33.33% (3 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amounts. The recoverable amount is the higher of the asset's fair value less costs to sell and value and in use.

**CAYMAN ISLANDS AUDIT OFFICE  
STATEMENT OF ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2008**

**Specific Accounting Policies (continued)**

***Liabilities***

***Accounts Payable***

Accounts payable are recognised initially at fair value after allowing for credit notes and other adjustments.

***Provisions***

Provisions are recognised in accordance with IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets.

***Employee Benefits***

**a) *Annual Leave entitlement***

Annual leave due, but not taken, is recognized as a current liability at the current rates of pay.

**b) *Pension Obligations***

Pension contributions for employees of the Audit Office are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both employer and employee contributions. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element. Participants joining after that date became members of the defined contribution element. Pension scheme contributions are included in personnel costs in the operating statement.

The Public Service Pension Liability for all civil servants (both current and past) is an executive liability managed by the Hon. Financial Secretary. This liability is reported on the Hon. Financial Secretary's executive financial statements.

***Contributed Capital***

Contributed capital relates to equity injections for fixed asset acquisitions, working capital and initial start up cash of the Audit Office, which is funded by Cabinet.

***Foreign Exchange***

Monetary assets and liabilities denominated in foreign currencies are translated into Cayman Islands Dollars at the exchange rate prevailing on the Balance Sheet date. Revenue and expense items denominated in foreign currencies are translated in Cayman Islands Dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the Operating Statement.

**CAYMAN ISLANDS AUDIT OFFICE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2008**  
(Expressed in Cayman Islands Dollars)

**NOTE 1: PERSONNEL COSTS**

	<b>2007/8 Actual \$000</b>	<b>2007/8 Budget \$000</b>	<b>2006/7 Actual \$000</b>
Salaries and wages (including employee pension contributions)	1,445	1,588	1,242
Health Insurance	101	-	82
Employer pension expense	78	88	69
Other personnel costs	46	91	38
<b>Total Personnel Costs</b>	<b>1,670</b>	<b>1,767</b>	<b>1,431</b>

Health insurance paid on behalf of employees was reclassified from Supplies and Consumables to Personnel Costs. It was budgeted under Supplies & Consumables for the 2007/8 budget.

**NOTE 2: SUPPLIES AND CONSUMABLES**

	<b>2007/8 Actual \$000</b>	<b>2007/8 Budget \$000</b>	<b>2006/7 Actual \$000</b>
Supply of goods and services	158	322	143
Health Insurance	-	108	-
Operating lease rentals	90	86	86
Professional Fees	136	128	69
Computer Hardware Maintenance	72	84	67
Other	-	-	-
<b>Total Supplies and Consumables</b>	<b>456</b>	<b>728</b>	<b>365</b>

Official Travel

Included under the caption of Supply of goods and services above is official travel. During the 2007-08 fiscal year the Audit Office spent \$11k (2006-07: \$8k) on Official Travel. This included several trips to Cayman Brac – Financial Statement and Value for Money Audits; Mexico – INCOSAI Conference; Morocco – INTOSAI working group; London – Maritime Authority Financial Statement audit; and St. Lucia – CAROSAI Workshop.

Operating Lease Rental

Operating lease rentals for the year ending 30 June 2008 was \$90k (30 June 2007: \$86k).

The Audit Office occupies leased property at Third Floor, Anderson Square, Shedden Road, George Town. The lease is for a period of five years which commenced on 1 July 2004. The details of the amounts committed in respect of this lease are included in the Statement of Commitments. An option exists to renew the lease for a further five years at an agreed upon open market rental rate. Currently this option has not been exercised and if it is exercised it should be done within six months of the expiration of the current lease.

In January 2008, the Audit Office entered into a lease agreement with Mini Warehouse Two Limited on a month to month basis at a rental rate of \$520 per month. The rental rate is to be increased on the anniversary date of the lease by a percentage equal to the increase in the Consumer Price Index.

**CAYMAN ISLANDS AUDIT OFFICE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3: CAPITAL CHARGE**

The capital charge is payable to the Portfolio of Finance and Economics as required by the Public Management and Finance Law, (2005 Revision) section 41 (5). The Financial Secretary on an annual basis sets the capital charge rate, which was budgeted at 5.95% for the year 2007/08 fiscal year. The capital charge is to be calculated twice per year, on December 31 and June 30, as the charge rate multiplied by equity (net assets) of the Audit Office on each of the respective dates. The capital charge is then payable in the month following the relevant calculation dates and is billed by Treasury. For the 2007/08 year the capital charge is \$22k (2006/07: \$15k).

**NOTE 4: CASH AND CASH EQUIVALENTS**

	2007/8 Actual \$000	2007/8 Budget \$000	2007/8 Actual \$000
Cash on hand	-	-	-
Bank accounts	132	283	62
Deposits with Portfolio Finance and Economic (Treasury)	-	-	-
<b>Total Cash and Cash Equivalents</b>	<b>132</b>	<b>283</b>	<b>62</b>

**NOTE 5: ACCOUNTS RECEIVABLE, WORK IN PROGRESS AND PREPAYMENTS**

	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
Outputs to Cabinet (accounts receivable)	50	-	-
Outputs to Cabinet (work in progress)	82	55	36
Outputs to other government agencies (accounts receivable)	228	-	107
Outputs to other government agencies (work in progress)	136	180	145
Outputs to others (accounts receivable)	-	-	8
Prepayments	21	15	15
Interest Receivable	3	-	2
Other Receivables – Salary Advance	2	-	-
<b>Total Gross Accounts Receivable</b>	<b>522</b>	<b>250</b>	<b>313</b>
Less provision for doubtful debts	-	-	-
<b>Total Net Accounts Receivable</b>	<b>522</b>	<b>250</b>	<b>313</b>

**NOTE 6: INVENTORIES**

	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
Raw Materials (including Consumable Stores)	-	-	-
Work in Progress	-	-	-
Finished Goods	-	-	-
<b>Total Inventories</b>	<b>-</b>	<b>-</b>	<b>-</b>

CAYMAN ISLANDS AUDIT OFFICE  
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**NOTE 7: PROPERTY, PLANT AND EQUIPMENT**

	Furniture & Fittings \$000	Office Equipment \$000	Computer Equipment \$000	Total \$000
<u>Cost</u>				
At July 1, 2006	60	25	40	125
Additions	-	-	6	6
Disposals/transfers	-	-	-	-
At June 30, 2007	<u>60</u>	<u>25</u>	<u>46</u>	<u>131</u>
<u>Accumulated Depreciation</u>				
At July 1, 2006	10	11	23	44
Accumulated depreciation on disposals/transfers	-	-	-	-
Depreciation charge for the year	6	5	9	20
At June 30, 2007	<u>16</u>	<u>16</u>	<u>32</u>	<u>64</u>
<b>Net Book Value at June 30, 2007</b>	<b><u>44</u></b>	<b><u>9</u></b>	<b><u>14</u></b>	<b><u>67</u></b>
<u>Cost</u>				
At July 1, 2007	60	25	46	131
Additions	-	5	7	12
Disposals/transfers	-	(6)	(16)	(22)
At June 30, 2008	<u>60</u>	<u>24</u>	<u>37</u>	<u>121</u>
<u>Accumulated Depreciation</u>				
At July 1, 2007	16	16	32	64
Accumulated depreciation on disposals/transfers	-	(6)	(16)	(22)
Depreciation charge for the year	6	5	9	20
At June 30, 2008	<u>22</u>	<u>15</u>	<u>25</u>	<u>62</u>
<b>Net Value at June 30, 2008</b>	<b><u>38</u></b>	<b><u>9</u></b>	<b><u>12</u></b>	<b><u>59</u></b>

**CAYMAN ISLANDS AUDIT OFFICE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8: ACCOUNTS PAYABLE**

	<b>2007/8 Actual \$000</b>	<b>2007/8 Budget \$000</b>	<b>2006/7 Actual \$000</b>
Trade Creditors	49	82	17
Operating lease rental	-	-	-
Surplus Payable	96	-	96
Accruals	28	30	26
<b>Total</b>	<b>173</b>	<b>112</b>	<b>139</b>

Surplus Payable

The Audit Office experienced a surplus of \$50k for the year ending 30 June 2004 and \$46k for the year ending 30 June 2007. Under the *Public Management & Finance Law* section 39 (3)(f) the Audit Office may “retain such part of its net operating surplus as is determined by the Financial Secretary”. Therefore, the Audit Office has booked a surplus payable to Government in the amount of \$96k (30 June 2007: \$96k) as the Financial Secretary has not confirmed whether the Audit Office can retain the surplus achieved in prior years.

**NOTE 9: EMPLOYEE ENTITLEMENTS (CURRENT)**

	<b>2007/8 Actual \$000</b>	<b>2007/8 Budget \$000</b>	<b>2006/7 Actual \$000</b>
Long service leave and other leave entitlements	121	75	72
Cost of Living Adjustment Payable <sup>1</sup>	45	-	-
<b>Total Employee Entitlements</b>	<b>166</b>	<b>75</b>	<b>72</b>

<sup>1</sup>Cost of Living Adjustment Payable

In April 2008 Cabinet conditionally approved a Cost of Living Adjustment (COLA) of 3.2% to be paid retroactively starting July 1, 2007. On July 9, 2008 the COLA was formalized through Administrative circular no.3 of 2008 and was calculated to be \$45k for the Audit Office, which was subsequently paid in July & August 2008.

**NOTE 10: EMPLOYEE ENTITLEMENTS (NON-CURRENT)**

	<b>2007/8 Actual \$000</b>	<b>2007/8 Budget \$000</b>	<b>2006/7 Actual \$000</b>
Long service leave and other leave entitlements	-	-	-
Other salary related entitlements	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**CAYMAN ISLANDS AUDIT OFFICE  
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**NOTE 11: OTHER NON-CURRENT LIABILITIES**

	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
Provision for agency revenue repayable	-	-	-
Provision for restructuring	-	-	-
Accounts payable	-	-	-
Unearned revenue	-	-	-
Other	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTE 12: RECONCILIATION OF OPERATING SURPLUS TO CASH FLOWS FROM OPERATING ACTIVITIES**

	2007/8 Actual \$000	2007/8 Budget \$000	2006/7 Actual \$000
Operating (deficit)/surplus	(31)	-	46
<b>Non-cash movements</b>			
Depreciation	20	20	20
Increase in provision for doubtful debts	-	-	-
Increase/(Decrease) in payables/accruals	124	(30)	35
Net loss from sale of fixed assets	1	-	-
Net gain/loss from sale of investments	-	-	-
Increase in other current assets	-	-	-
(Increase)/decrease in receivables	(209)	30	(117)
<b>Net cash flows from operating activities</b>	<b>(95)</b>	<b>20</b>	<b>(16)</b>

**NOTE 13: CASH EQUITY INJECTION**

In June 2007 the Audit Office submitted a Supplementary Budget for the fiscal year 2006-07 to obtain a cash equity injection of \$177k to help alleviate the cash flow problems resulting from the high levels of accounts receivable. The cash equity injection was received in December 2007.

**NOTE 14: RELATED PARTY TRANSACTIONS**

Key Management Personnel

There are four full-time equivalent personnel considered at the senior management level. The total remuneration includes: regular salary, pension contributions, health insurance contributions, acting allowance, duty allowance, motor car upkeep, and COLA back pay. Total remuneration for senior management in 2007-08 was \$498k (2006-07: \$472k). There have been no loans made to key management personnel or close family members in 2007-08 and 2006-07.

**CAYMAN ISLANDS AUDIT OFFICE  
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**NOTE 15: FINANCIAL RISK MANAGEMENT**

The Audit Office is exposed to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The Audit Office's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed within the parameters established by the Financial Regulations.

Interest Rate Risk

The Audit Office is subject to interest rate risk on the cash placed with a local bank which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Audit Office is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 30 June 2008 was \$3k (2007: \$4k)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Audit Office. Financial assets which potentially expose the Audit Office to credit risk comprise cash and cash equivalents and accounts receivable.

The Audit Office is exposed to potential loss that would be incurred if the counterparty to the bank balances fail to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers to be financially secure and well managed.

The Audit Office is also exposed to a significant concentration of credit risk in relation to accounts receivables, all of which are due from other Government entities. No credit limits have been established. As at 30 June 2008 and 2007, no provision for doubtful debts has been made as none of these assets are impaired and management consider these debts to be recoverable in full.

The carrying amount of financial assets recorded in the financial statements represents the Audit Office's maximum exposure to credit risk. No collateral is required from the Audit Office's debtors.

Liquidity Risk

Liquidity risk is the risk that the Audit Office is unable to meet its payment obligations associated with its financial liabilities when they fall due.

The ability of the Audit Office to meet its debts and obligations is dependent upon its ability to collect the debts outstanding to the Audit Office in a timely basis. In the event of being unable to collect its outstanding debts, it is expected that Government would temporarily fund any shortfalls the Audit Office's would have with its own cash flows. As at 30 June 2008 and 2007, all of the financial liabilities were due within three months of the balance sheet dates.

**NOTE 16: FINANCIAL INSTRUMENTS – FAIR VALUES**

As at 30 June 2008 and 2007, the carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable and employee entitlements approximate their fair values due to their relative short-term maturities.

Fair values estimates are made at a specific point in time, based on market conditions and the information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.



**CAYMAN ISLANDS AUDIT OFFICE  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 17: CORRESPONDING INFORMATION**

Certain balances have been reclassified to conform to the current year's financial statement presentation.

**Part C**

**Independent Auditor's Report**

**INDEPENDENT AUDITOR'S REPORT**

**TO THE PRESIDING OFFICER OF  
THE LEGISLATIVE ASSEMBLY OF THE CAYMAN ISLANDS**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Cayman Islands Audit Office (the "Audit Office") which comprise the balance sheet, statement of commitments and statement of contingent liabilities, all as of June 30, 2008, and the operating statement, statement of changes in net worth and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as presented on pages 26 to 41.

*Management's Responsibility for the Financial Statements*

The Auditor General is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Audit Office as of June 30, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

## Report on the Statements of Output Performance

Except as discussed in the section "Scope Limitations" below, we have performed assurance procedures on the statements of output performance (the "Statements") as presented on pages 11 to 16 of the Audit Office for the year ended June 30, 2008.

The Statements consist of the following outputs:

- i) AUD-02 – Investigations and Reports
- ii) AUD-03 – Advice, Assistance and Reports to the Legislative Assembly and its Committees

### *Responsibilities*

The Statements are the responsibility of the Auditor General. The Auditor General is required under section 44 (2) of the Public Management and Finance Law (Revised) to present the following performance indicators for the Audit Office:

- 1) Financial measures of the actual revenue earned and the actual costs incurred in respect of each output for the year ended June 30, 2008.
- 2) Budgeted costs for each output as duly approved in the "Annual Budget Statement 2007/8".
- 3) Quantitative measures of the outputs delivered during the year ended June 30, 2008.
- 4) Qualitative measures of the outputs delivered during the year ended June 30, 2008.
- 5) Location of the delivery of outputs during the year ended June 30, 2008.

Our responsibility is to provide a report on the Statements based on our assurance procedures.

### *Scope*

Except as discussed in the next section, we conducted our assurance procedures on the Statements in accordance with International Standards on Assurance Engagements 3000 (Revised): "Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

Our assurance procedures on the Statements were planned and performed to obtain all information and explanations we considered necessary to issue our report based on a reasonable level of assurance. Our assurance procedures included examining, on a test basis, evidence supporting the amounts and other disclosures included in the Statements and making enquiries of key members of management and the staff of the Audit Office. These procedures have been undertaken to enable us to issue our report as to whether, in all material respects, the Statements fairly represent the indicated performance of the Audit Office for the year ended June 30, 2008, as measured by reference to the parameters provided by the Auditor General which are included in Appendix I of this report.

### *Scope Limitations*

The parameters included in Appendix I for each of the output measures included in the Statements have been provided to us by the Auditor General and are solely his responsibility. We do not accept responsibility for the determination of these parameters as the basis of measure for each of the outputs, or for their appropriateness or relevance.

We have not reviewed, nor do we accept responsibility for, the accuracy of the information contained in the "Description" field of each Statement or the "Explanation of Variances" commentary following each Statement. The information and commentary included therein has been determined by the Auditor General in his best judgment and as such its accuracy and relevance are solely his responsibility.

*Opinion*

In our opinion, except for such adjustments and additional information or clarification which we may have determined to be necessary if we were able to perform procedures to remove the scope limitations discussed in the previous section, the Statements fairly represent, in all material respects, the performance of the Audit Office for the year ended June 30, 2008, as measured by reference to the parameters included in Appendix I.

*PriceWaterhouseCoopers*

November 21, 2008

PERFORMANCE INDICATORS AND PARAMETERS

AS PROVIDED BY THE AUDITOR GENERAL

AUD-02 – Investigations and Reports

*Financial Measures*

The bases for financial measures were as follows:

- i) Actual revenue - as recorded for reports included for this output in the accounting records of Cayman Islands Audit Office (the “CIAO”) for the year ended June 30, 2008.
- ii) Actual costs – as recorded for reports included for this output in the accounting records of the CIAO for direct costs and indirect costs allocated on the basis described in Part 8 of the Financial Regulations (2008 Revision) for the year ended June 30, 2008.
- iii) Budgeted cost – as recorded in the Annual Budget Statement 2007/8 for the CIAO.

*Quantitative Measures*

The parameters for the quantitative measures were as follows:

- 0 - 70% During this first stage of a value for money audit or an investigation, the Audit Office will have planned the audit, held client meetings, documented the client’s systems, tested the systems, analyzed the data, and made preliminary evaluations and conclusions. The conclusion of this phase is generally an audit file that documents the work to date. This phase usually consumes 70% of the total resources devoted to the project.
- 71 - 85% At this stage of the audit a Manager and the Auditor General will have reviewed the fieldwork documentation to ensure preliminary evaluations and conclusions are consistent with the audit evidence obtained. The first draft of the value for money or investigative report will then be written. At the 85% completion mark the first draft of the report will have been issued to the client for comments.
- 86 - 90% At this stage of the audit discussions with the client on the draft report will have been held. At 90% the first response from the client will have been received and considered in the second draft of the report.
- 91-100% This is the final stage of the audit where the report will be finalized, along with client comments as appropriate. The final versions of the report will be prepared and issued to the Legislative Assembly, the Governor, Statutory Authority and/or Government Company.

Specialist technical advice provided to Government Organizations is measured by the number of hours the Audit Office staff provides.

*Qualitative Measures*

The bases for the qualitative measures were as follows:

- i) Final reports reviewed by Audit Manager and/or Auditor General and “agreed by client”:
  - 100% indicates the report has been reviewed by and Audit Manager and/or the Auditor General and “agreed by client”.

PERFORMANCE INDICATORS AND PARAMETERS  
AS PROVIDED BY THE AUDITOR GENERAL

AUD-02 – Investigations and Reports (Continued)

*Qualitative Measures (Continued)*

0% indicates the report was not reviewed by the Audit Manager and/or the Auditor General and “agreed by client”.

For the purposes of the above, “agreed by client” is defined to mean that CIAO have provided the opportunity to the client to comment on a draft report that the CIAO plan to issue. “Agreed by client” does not presume that the client will agree to the findings and conclusions of the report, but that the client has been provided the opportunity to comment on the report, which can impact the final report to be issued and/or the client’s responses may be included in the body of the final report.

For each report issued if one of these criteria are not met then the percentage of quality would be reduced. For example if one report out of five reports issued for the year was not reviewed by the Audit Manager and/or the Auditor General and “agreed by client” then the quality percentage would be 80% (i.e. four out of the five reports met the criteria).

ii) Timeliness:

100% Report issued.  
 0% Report not issued as expected or the fieldwork was not completed in a timely manner.  
 N/A This measure will be used to indicate if the report was not expected to be completed during the current year, or if the fieldwork was not expected to be completed during the current year.

iii) In regards to providing specialist technical advice to Government Organizations, timeliness is measured by:

100% Advice provided in the timeframe expected by the Government Organization.  
 0% Advice not provided in the timeframe expected by the Government Organization.

*Location Measures*

The basis for this measure was as follows:

100% Fieldwork performed at Audit Office or client’s premises.  
 0% Fieldwork not performed at Audit Office or client’s premises.

PERFORMANCE INDICATORS AND PARAMETERS

AS PROVIDED BY THE AUDITOR GENERAL

**AUD-03 - Advice, Assistance and Reports to the Legislative Assembly and its Committees**

*Financial Measures*

The bases for financial measures were as follows:

- i) Actual revenue - as recorded for reports included for this output in the accounting records of Cayman Islands Audit Office (the "CIAO") for the year ended June 30, 2008.
- ii) Actual costs – as recorded for reports included for this output in the accounting records of the CIAO for direct costs and indirect costs allocated on the basis described in Part 8 of the Financial Regulations (2008 Revision) for the year ended June 30, 2008.
- iii) Budgeted cost – as recorded in the Annual Budget Statement 2007/8 for the CIAO.

*Quantitative Measures*

The parameters for the quantitative measures were as follows:

- 0 - 69% The initial step to providing assistance and advice to PAC begins when the Auditor General submits a Report to PAC for their review. No measure for this output is recognized until we hold initial meetings with PAC to brief them on the report. Thereafter we will draft up a list of witnesses to call and potential questions to be asked of the witnesses based on the report.
- 70 - 89% Auditor General and applicable staff from the Office attend PAC meetings held where witnesses are called and questions posed to the witnesses. Auditor General will provide specific information or advice to the PAC when called upon to do so during the meeting or will provide supporting documentation afterwards.
- 90 - 99% The Audit Office will provide support to the PAC in drafting their report on the Auditor General's Report and the evidence they have gathered from the witnesses and make recommendations to the Legislative Assembly.
- 100% The PAC report is tabled in the Legislative Assembly along with the Auditor General's Report thereby making the Auditor General's Report a public document.

*Qualitative Measures*

The bases for the qualitative measures were as follows:

- i) Final reports reviewed by Audit Manager and/or Auditor General and agreed by client:
  - 100% Performed
  - 0% Not Performed
- ii) Provision of Committee support services to the satisfaction of the PAC:
  - 100% PAC confirmed that support services were to its satisfaction
  - 0% PAC confirmed that support services were not to its satisfaction



PERFORMANCE INDICATORS AND PARAMETERS

AS PROVIDED BY THE AUDITOR GENERAL

AUD-03 - Advice, Assistance and Reports to the Legislative Assembly and its Committees (Continued)

*Timeliness Measures*

The bases for the timeliness measures were as follows:

- 0% Auditor General Reports did not become publicly available within one week of submission to the Honorable Speaker of the Legislative Assembly.
- 100% Auditor General Reports became are publicly available within one week of submission to the Honorable Speaker of the Legislative Assembly.
- 0% Auditor General Reports did not become publicly available within two days on the Government website.
- 100% Auditor General Reports became publicly available within two days on the Government website.

The percentage is based on the number of reports that were made publicly available in a timely manner. For example, if two reports were made public during the current fiscal year, but only 1 report was made publicly available within the timeframe anticipated then the timeliness percentage would be recorded as 50%.

*Location*

The basis for this measure was as follows:

- 100% Fieldwork performed at Audit Office or client's premises
- 0% Fieldwork not performed at Audit Office or client's premises

