

SAI Performance Report

Office of the Auditor General
Cayman Islands

Final Report
9 November 2023

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Abbreviations

ACC	Anti-Corruption Commission
AG	Auditor General
AM	Audit Manager
APL	Audit Project Leader
CAROSAI	Caribbean Organisation of Supreme Audit Institutions
CIIPA	Cayman Islands Institute of Professional Accountants
CMT	Corporate Management Team
CSO	Civil Society Organisation
DAG	Deputy Auditor General
EPS	Entire Public Sector
FCDO	Foreign, Commonwealth and Development Office
HR	Human Resource
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Auditing
ISSAI	International Standards of Supreme Audit Institutions
L&DP	Learning and Development Plan
OAG	Office of the Auditor General of the Cayman Islands
PAC	Public Accounts Committee
PMFA	Public Management and Finance Act
PMT	Practice Management Team
QA	Quality Assurance
QC	Quality Control
SAGCs	Statutory Authorities and Government Companies
SAI	Supreme Audit Institution
TRS	Time Recording System
UK OT	United Kingdom Overseas Territory

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This performance assessment was conducted by the INTOSAI Development Initiative (IDI). The assessment team consisted of Mr. Brighton Nyanga (Team Leader) and Mr. Godwin Matte both managers in the SAI Governance Department in the IDI.

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We also would like to extend our special thanks to the IT and Quality Assurance Manager, Mr Julius Aurelio for efficiently coordinating and facilitating the assessment process both physically and digitally, and for providing the assessment team with all the supporting documents which are the basis for the findings and conclusions in this report.

Special thanks also go to the Audit Managers and individual staff with whom the assessment team conducted interviews on various audit and non-audit-related issues.

Finally, we would like to express our profound gratitude to IDI Management for the logistical and financial support without which this performance assessment would not have been undertaken.

To ensure adherence to the SAI PMF assessment methodology, this performance report was independently reviewed on behalf of the INTOSAI Development Initiative, by an IDI Independent Reviewer, Ms Nila Eka Putri from the Audit Board of the Republic of Indonesia.

Executive Summary

This performance assessment of the Office of the Auditor of the Cayman Islands (OAG) was conducted using the Supreme Audit Institutions Performance Measurement Framework (SAI PMF). SAI PMF is an international framework for measuring the performance of Supreme Audit Institutions (SAIs) against international standards and other best practices for external public sector auditing.

The assessment highlights the performance of the OAG across the 6 domains of the SAI PMF - constituting a total of 25 performance indicators. However, 6 of the 25 indicators are excluded from this assessment as they do not apply to the OAG. Indicator summaries are included for each indicator. Annex 1 provides a summary of the assessment scores at the dimension and indicator level. Annex 2 provides additional details of the assessment results at the criteria level. Below is a summary of the performance of the OAG per domain.

Domain A – Independence and Legal Framework

The OAG is established based on an appropriate and effective Constitutional Framework and has a sufficiently broad mandate. In many respects, the independence of the OAG conforms to the requirements of international standards. However, it appears there is need to further strengthen the Constitutional and legal framework, particularly in relation to the independence of the Head of SAI, the ambiguity surrounding the Auditor General’s mandate to conduct compliance audit and some inefficiencies in the Government budgetary process.

Domain B – Internal Governance and Ethics

The OAG has an effective strategic and annual planning framework. The strategic and annual plans are prepared to the required standard and include performance indicators that facilitate monitoring of progress in implementation of the plans. The OAG has a strong quality control practice for both in-house and contracted audit work. In prior years, the absence of a quality assurance function in the OAG has been a missing link in its quality management processes. To address this gap, in July 2021, the Office recruited a manager responsible for quality assurance and information technology. As of September 2023, the OAG was in the process of developing a quality assurance framework that will be the basis for operationalising the quality assurance function.

The OAG subscribes to a strong ethical culture supported by an effective internal control environment. The Leadership and the internal communication practices are aligned with the requirements of international standards and best practice. Some gaps have been identified regarding the effectiveness of internal controls in the OAG, although these are largely a result of a conscious decision by SAI Management based on the context of the OAG as a small SAI. This is particularly in reference to the absence of an internal audit function for which SAI Management does not see the economic practicality of establishing it as a separate function in the SAI.

Domain C – Audit Quality and Reporting

The OAG performs well in both financial and performance audit. The Office achieved a financial audit coverage of 73% as of 30 April 2022 and 86% as of October 2022 when the General Report for 2021 was issued. As at the statutory deadline for auditing the financial statements received (30 April 2022), the Office had a backlog of unaudited financial statements from prior years. The situation is attributed

mainly to the reorganisation of the Government after the 2021 general election which resulted in an increase in the number of public bodies to be audited.

The OAG positively fulfilled all the criteria on performance audit coverage as required by international standards and best practice. The implementation and reporting for both financial and performance audit is anchored on established audit standards and policies. However, there is room for improvement on ensuring consistency in the application of the audit methodology for performance audit, albeit in a few areas and so not pervasive.

The submission of audit reports to Parliament and publication are done in a timely manner that fulfills the requirements of international best practice. The OAG has an effective follow-up mechanism on the implementation of audit and PAC recommendations. However, Government has fallen significantly behind in its reporting of progress in implementing OAG and PAC recommendations, a situation which can potentially negate the gains made by the OAG on strengthening transparency and accountability in the public sector through its audits.

Domain D – Financial Management, Assets and Support Services

The OAG fulfills all the requirements that examine the internal system of financial management and control, as well as its policies and practices regarding the support services and resources it requires to carry out its mandate. The key issues examined in this domain are Information Technology (IT), assets and infrastructure as well as administrative support. The OAG performs well in all these aspects of its operations.

Domain E – Human Resources and Training

Generally, the OAG enjoys an appreciable level of organisational independence in the management of its human resources, although this independence is constrained by the requirement to adhere to the rules and regulations that apply to the wider public service in the Cayman Islands. The OAG has the power to recruit its own staff subject to the provisions of the Public Service Management Act (PSMA). Additionally, regarding the remuneration of staff, the Office is tied to the public sector salary scale rendering the determination of staff remuneration outside the OAG's sphere of control. A comprehensive People and Organisational Development Strategy was being developed at the time of conducting this performance assessment. It is envisaged this new strategy will assist the OAG to further improve its operational efficiency through stronger alignment of human resource requirements with the strategic direction of SAI.

Domain F – Communication and Stakeholder Management

The OAG has a Communication Strategy which is included as part of the strategic plan but it appears this strategy needs further strengthening. A separate comprehensive media relations policy that complements the Communications Strategy is in place. The Office has actively engaged with Parliament, the Executive and some public bodies under the Judiciary. However, these engagements could be better enhanced with the establishment of specific and documented procedures or policies. There is evidence indicating the OAG is communicating and interacting with citizens and civil society organisations although more needs to be done.

(a) Introduction

SAI PMF is an international performance measurement tool, that provides SAIs with a framework for voluntary assessment of their performance against international standards and other established international good practices for external public sector auditing.

The OAG conducted a SAI PMF self-assessment in 2017 and decided to conduct a repeat assessment in 2022. This performance assessment is conducted based on the Auditor General's decision to assess the performance of the Office using the SAI PMF every five years.

The specific objectives of the assessment are to:

- Benchmark the SAI's performance against the international standards and other best practices for public sector auditing.
- Identify strengths and weaknesses in the SAI's performance in order to address the existing operational gaps and further strengthen areas of good performance.
- Provide the basis for preparing a comprehensive strategic development plan for future capacity building and institutional strengthening.

This performance assessment was conducted using the peer review approach. This approach was preferred as it enhances the objectivity of the report. In addition, considering the small size of the OAG Cayman Islands, the peer review approach enables the SAI to dedicate its limited internal staff resources to performing their audit duties in the SAI.

The performance assessment covers the financial year ended 31 December 2021. The team of assessors has followed the assessment methodology prescribed in the 2021 version of the SAI PMF document and has adhered to the principles of objectivity and evidence-based. The performance assessment including report writing was conducted in the period from November 2022 to August 2023.

The OAG has a centralised office with no regional offices.

(b) Independent review statement



**SAI Performance Report of the Office of Auditor General Cayman Islands
dated 9 November 2023
Independent Review Statement**

The INTOSAI Development Initiative (IDI), as operational lead on SAI PMF, provides support to SAI PMF assessments where requested. Such support includes conducting independent reviews (IR) of draft assessment reports. A request for such an IR was received from the Assessment team on 21st September 2023.

This SAI Performance Report (SAI-PR) was prepared by the assessment team consisting of Mr Brighton Nyanga (Team Leader) and Mr Godwin Matte (Team Member). They are both managers in the SAI Governance Department of IDI. The team leader and team member together are considered to have the appropriate skills and experience to produce a high-quality assessment.

In compliance with the recommended SAI PMF methodology, the Auditor General of the Cayman Islands received the draft report for review and official comment with the objective of ensuring that the report is factually correct.

The independent review arranged by IDI was carried out by Nila Putri, IDI independent reviewer. She had no involvement in preparing the SAI PR and is considered to have the appropriate knowledge and experience necessary for this task. The objective of this review was to ensure that the SAI PMF methodology had been adhered to, that the evidence in the SAI-PR was sufficient to justify the indicator scores and that the analysis was consistent with the evidence throughout the report. The review concluded that all objectives had been satisfactorily met in the final report received by IDI on 2nd November 2023. In arriving at this conclusion, the independent reviewer has relied on the quality control processes of the assessment team and the quality assurance processes of the SAI to ensure that the facts on which the conclusions are based are reliable and accurate.

Significant matters raised during the independent review process have been addressed in this version of the SAI-PR.

Prepared by: Nila Putri 

Issued by IDI: Dafina Dimitrova 

Date: 9 November 2023

(c) Key Findings and Observations on the SAI's Performance and Impact

i) Integrated Assessment of SAI Performance

Audit Coverage:

The OAG performs fairly well on audit coverage for both financial and performance audit disciplines although there is room for improvement especially on audit coverage for financial audit.

Under financial audit, the number of audits increased significantly from 43 in 2020 to 50 in 2021. This increase was as result of the election and subsequent re-organisation of government. The OAG's audit universe, therefore, comprises 50 public bodies covering the entire public service. Of this, 35 public bodies are audited in-house whereas the remaining 15 are outsourced to private audit firms. Audit entities have a statutory deadline of 28 February to submit their financial statements for audit in exception of the Entire Public Sector account which has a statutory deadline of 31 May. The OAG has a statutory deadline of 30 April to complete the audit of all the financial statements received by the deadline of 28 February.

According to the 2021 General report, 45 of the 49 (excluding the Entire Public Sector account - EPS) public bodies submitted their financial statements by the statutory deadline of 28th February 2022. Of these, the OAG and its subcontracted firms completed the audit of the financial statements for 33 entities by the statutory deadline of 30th April 2022 accounting for an audit coverage of 73%. However, as of September 2022 when the General report was issued, the OAG had completed audits of financial statements for 42 of the 49 public bodies, representing an audit coverage of 86%.

International best practice requires the SAI to complete the audit of 100% of the financial statements received and to publicly report on any non-submission of financial statements due. The financial audit coverage achieved by the OAG of 73% by the statutory deadline of 30th April 2022 and 86% as of October 2022, falls short of the international best practice. This performance is mainly attributed to delays in the submission of information by audit clients and delays in resolving cross-cutting issues by core government entities. Another reason for the OAG not achieving 100% audit coverage for financial audits is the outstanding entities' audits from previous years which meant the 2022 audits for these entities could not be started or completed by the statutory deadline. As of September 2022, 7 public bodies (including EPS) for the 2021 financial year were ongoing or backlogged. A further 4 audits for 2020, 2 audits for 2019, 2 audits for 2018 and 1 audit for 2016-17 were outstanding. The backlogs are due to several audit client related issues, key among these, delays in proving supporting documentation and changes in finance teams. These are factors which are not within the control of the OAG. As required by international best practice, the OAG publicly reports on non-submission of financial statements through its quarterly reports and the General Report.

The OAG has effective processes for selecting performance audit topics which cover significant issues that are likely to improve the conduct of government operations and programmes. All the criteria assessing performance audit coverage are positively met except for the requirement to include audit topics covering the sectors on the environment and national economic development. This gap has however been addressed in the 2022-2023 audit plan. The sector on defence is not devolved to the Cayman Islands and as such, has not been considered in determining the audit coverage for performance audit.

The OAG 's outcome agreement states that it will issue 3-5 reports a year to the Parliament, including the annual General Report, and have another 2-3 audits in progress. However, the OAG targets to conduct 4 to 6 performance audits per year. In 2021, the Office completed 3 performance audits and 5 audits were ongoing as at the end of the financial year. The OAG has set priorities for performance audit based on the notion that economy, efficiency and effectiveness are audit objectives of equal importance to the legality and regularity of financial management and accounting. commitment,

The audit coverage for compliance audit has been assessed as not applicable since the OAG does not conduct stand-alone compliance audits.

Quality of audit reports and recommendations

Financial audits are conducted in line with the International Standards on Auditing (ISAs) and through the CaseWare auditing system. The audit methodology applied as per the working paper files reviewed generally follows the standards from planning to evaluating evidence, concluding and reporting. There are clear review and quality control processes in place, which enhance overall audit quality. This process results into audit reports with relevant recommendations to the respective public bodies. The OAG's on-going process of developing a customised financial audit manual should further enhance the audit process and quality of audit reports.

The OAG performs well in performance audits especially considering that at the time of the previous SAI PMF review, performance audits were conducted by external consultants due to lack of capacity within the OAG. The external consultants conducted the audits under the direction of the Performance Audit Director in the OAG. A combined team constituting the external consultant and OAG staff was later adopted as a strategy to build internal capacity for conducting performance audits in the OAG. Currently, the OAG has a sufficiently qualified and experienced three-member performance audit team and all performance audits are conducted in-house. The audit team is made up of the Deputy Auditor General in charge of Performance Audit and two part-time Performance Audit Managers. The part-time Performance Audit Managers are allocating 50% and 60% of their time to performance audit respectively. As there is no dedicated performance audit team conducting performance audits on a full-time basis except the Deputy Auditor General in charge of Performance Audit (DAG-PA), the three-member performance audit team is supported by other audit staff who may work on performance audit during non busy periods for financial audit.

The OAG has adopted a performance audit methodology that complies with International Standards of Supreme Audit Institutions (ISSAIs) relating to conducting performance audit in the public sector. The SAI provides support to its auditors as required to implement the adopted audit standards and develop their professional skills. Specific guidance and support are provided on implementation of key aspects of the audit methodology through the audit manual, on-the-job training and audit supervision.

However, there is scope for improvement in the PA practice through greater consistency in the application of the audit methodology, particularly in relation to the assessment of the risk of fraud, signing off working papers by reviewers, and disclosure on how audit criteria was developed and its sources. Further, there is no documented system to demonstrate that audit teams collectively have the necessary professional competences required to conduct an assigned audit. SAI leadership clarified that although not documented, the requirements for constituting audit teams are considered in practice. The observed gaps suggest a weakness in the related and specific aspects of audit planning and implementation. These gaps can possibly be linked to the lack of a quality assurance function in

the period under review and the absence of a formal training programme for performance auditors. Additionally, some gaps such as working papers not having been signed off by reviewers are characteristic of the 'teething' problems associated with the use of the new audit tool, CaseWare.

Except for the gaps highlighted above, the OAG has strong performance audit planning, implementation and reporting practices. A review of the sampled audit files indicates a high level of consistency in the application of the audit methodology across the performance audit work conducted by the OAG. This performance is sustained by an effective overall annual audit planning process, existence of a well-functioning quality control mechanism and established standards and policies designed to guide and support auditors in their work. Effective audit supervision and an efficient administrative support function have contributed to the high quality of audit reports. It is anticipated the introduction of a quality assurance function will further strengthen the OAG's audit practices.

The performance audit function stands to benefit from a more comprehensive approach to building internal capacity through in-house and external training programmes as well as continuous professional development. The Learning and Development Plan 2021 does not include a comprehensive and specific training for performance auditors. However, the Office conducts on-the-job training for performance auditors using training materials adopted from the National Audit Office of the UK and the Canadian Audit and Accountability Foundation (CAAF). In addition, some key aspects of the performance audit methodology such as data collection and report writing are covered in the general training organised for all staff in the OAG. SAI leadership does not consider stand-alone comprehensive training in performance audit as being cost effective both in terms of the staff time and financial resources required. Instead, the OAG favours and uses more the on-the-job PA training as close as possible to when the skills will be used by the staff conducting the performance audit.

According to SAI management, the Cayman Islands is a mature jurisdiction with developed systems of governance. As such, the Auditor General sees little value in conducting stand-alone compliance audits. However, in practice compliance testing is an integral part of planning, conducting and reporting on financial and performance audits.

Timeliness of audit submission and publication of audit results

According to the PMFA, public bodies are required to submit financial statements for audit by the statutory deadline of 28th February. The OAG is then required to complete the audit of these financial statements by the statutory deadline of 30th April (within 2 months).

For the 2021 reporting period, 92% (45 of the 49, excluding EPS) of public bodies submitted their financial statements by the statutory deadline of 28 February 2022. As reported in the 2021 General report, this is a cause of concern when compared with 2020 when only one (1) public body submitted its financial statement after the statutory deadline. This performance is mainly due to the reorganisation of the Cayman Islands Government after the 2021 general election. As a result of the 2021 general election, the number of public bodies to be audited increased from 43 in 2020 to 50 in 2021.

Whereas the Act requires the AG to present to Parliament at least one general report in each financial year, it is silent on when the report should be submitted or published. The OAG ensures to submit and publish one report annually, usually in the fourth quarter of the year. In 2021, the General report was submitted to Parliament in October 2022, 8 months after the statutory deadline for submission of

financial statements. International best practice as envisaged by the SAI PMF however, requires submission of the audit report to the appropriate authority within 6 months from receipt of the financial statements, where no timeframe is defined in the legal framework.

The delay in submitting audit reports to Parliament is mainly due to limitations inherent in the audit process such as delays in receiving financial statements and poor quality of information submitted by audited clients. In addition, the OAG starts preparing the General report after the majority of audits are completed and the ISA 260 reports are prepared as these form the evidence base for the findings and analysis. This process contributes to delays in timely submission of the General report. Although these are factors that are not entirely within the control of the OAG, since 2021, SAI Leadership has proactively implemented new strategies aimed at improving the timeliness of submission of the General report to Parliament. As a result of the new changes, the OAG has recorded an improvement in the time it takes to submit the General report to Parliament, from 10 months for the 2019 General report to 8 months for the 2021 General Report.

The OAG publishes the General report on its website immediately after the report has been submitted to Parliament. This is consistent with international best practice which requires the SAI to publish its audit report within 15 days after the SAI is permitted to publish. The Auditor General does not require permission from any person or authority to publish audit reports.

There is no legally binding timeframe for submitting performance audit reports to Parliament. Performance audit reports are submitted to Parliament immediately after approval of the reports by the Auditor General. Publication of performance audit reports is done within an average period of 7 days after submission to Parliament. The timeliness of submission and publication of performance audit reports is in accordance with the international best practice which requires submission within 15 days of completing the audit and for publication, within 15 days after the SAI has been permitted to publish. This performance is attributed to SAI leadership's resolve to ensure its outputs are delivered to Parliament timely as well as an enabling legal framework that places no restrictions on the Auditor General's right to submit and publish audit reports.

SAI follow up of audit results

Whereas historically the OAG has sent all entity ISA 260 reports to the PAC for review, since the 2020 audit year (in 2021), the OAG has agreed with the PAC that only ISA 260 reports for entities that have been qualified or where the OAG has particular concerns will be sent to PAC for review. The change in the approach is due to a significant reduction in the number of qualified audits. This notwithstanding, the PAC has not held witness hearings on individual entities' financial audits for a number of years, the most recent having been in 2019 on the 2016-17 financial audits. The PAC also uses the General Report as a basis for holding hearings on individual entities.

At the planning stage for annual financial audits, audit teams follow up on implementation of prior year matters. The audit recommendations that have not been actioned are followed up again in the current year audit and reported as a recurring issue. All the audit reports with qualified opinions and with recurring unimplemented recommendations are submitted to the PAC for further follow up. The OAG performs materiality assessments for each auditee during each new audit cycle and hence any follow ups that require additional audits or investigations will undergo materiality assessments based on the OAG's policy. All ISA 260 reports are published on the OAG's website. A mechanism to follow up the implementation of PAC recommendations on financial audit is in place, however, the OAG has

not conducted a follow up audit recently as Government Minutes responding to PAC reports have yet to be tabled.

Since 2021, the AG has included some high-level recommendations in the General Report that require action at the Government level to remedy some generic issues and weaknesses across the public sector. The General Report is tabled in Parliament, the PAC briefed and then holds hearings.

The OAG has an effective system for following up the implementation of performance audit observations and recommendations. The follow up system focuses on whether the audited entity has adequately addressed the observed problems and remedied the underlying weaknesses. A follow up report is prepared, highlighting the progress in implementation of PAC recommendations. The appendices to the report provide evidence of communication between the audited entity and the OAG regarding the status of each audit recommendation. The status on implementation of performance audit observations and recommendations presents a mix of action taken, action in progress and no action at all in some cases. The follow-up report is submitted to Parliament for consideration. In August 2021, a report was prepared to provide a summary of all past PAC reports and status update as of July 2021.

However, according to the Follow-up on past PAC recommendations report – 2021, the Government has fallen significantly behind in its reporting of progress in implementing OAG and PAC recommendations since 2018. As of February 2021, the Government had not formally responded to five PAC reports, a status which is not within the control of the OAG. The failure by the Government to follow up the implementation of PAC recommendations in a timely manner has potential to negate the gains made by the OAG on strengthening transparency and accountability in the public sector through its audits.

Communication and stakeholder management

The OAG has a communications strategy which is included as part of the strategic plan 2019-23. This strategy is supplemented by the media relations policy. The Office has identified appropriate tools and approaches for external communication such as the use of its website, social media platforms, the mainstream media and PAC hearings. The indicators on communication with external stakeholders are monitored periodically through the annual operational plan monitoring system and are reported in the OAG's Annual Report.

The OAG has a strong relationship with the PAC and is actively involved in PAC hearings. Whereas there is interaction with the Executive, Legislature and the Judiciary these interactions are not sufficiently documented and without clear policies or guidelines. The OAG has occasionally consulted the public on potential performance audit topics to include in the annual audit plans and sought their views on the quality of services provided by some of the audited entities. However, mechanisms for involving the public and obtaining their feedback could be further strengthened and better documented.

There is an efficient system for communicating and engaging with the media in the OAG. Communication and engagement with the media is guided by the media relations policy and is directly under the Auditor General and her deputies, where required. Whereas there are no active Civil Society Organisations (CSOs) in the accountability and transparency sector in the Cayman Islands, the OAG has actively engaged with other CSOs such as those dealing with environmental issues.

Legal Framework and Independence of the SAI

The OAG is established by a legal framework which is largely appropriate and effective. The SAI enjoys a high degree of financial and organisational independence. However, in practice this independence is constrained by some inefficiencies in the CIG budgetary framework since the OAG is legally required to operate within the rules and regulations that apply to the wider public service in the Cayman Islands.

The OAG is allocated sufficient financial resources for carrying out its mandate. However, there is room for greater autonomy in how the funds are managed by the Office to allow for strategic enhancements. SAI Management acknowledges that there are improvements that can be made to the current budgetary process to increase efficiencies, not just for the OAG but the wider government. For example, at present the budget structure for the OAG separates the allocation of budgeted funds between personnel costs and the operating expenses and in order to vary funds between these two categories, authorisation has to be obtained from the Ministry of Finance. In addition, once there has been an approval from the Public Accounts Committee on the amount of funding required by the OAG to achieve its mandate, there should be no adjustments to the SAI's budget by the Ministry of Finance, a scenario that is observed in Paragraph 48 of the SAI Cayman Islands Performance Report dated October 2018. The OAG has also encountered instances when preferred candidates from within the Cayman Islands did not proceed to contract due to the flexibility that private firms have (that OAG does not have) in counter-offering higher remuneration. Occasionally, the Auditor General has proactively requested for salary adjustments for OAG staff in an effort to bridge the gap between the remuneration offered by the Office and that offered by firms in the private sector.

The International Standards of Supreme Audit Institutions (ISSAIs) require Heads of SAI to be given appointments with sufficiently long and fixed terms to enable them carry out their mandate without fear of retaliation. The assessment team observes, however, that the Constitutional framework of the Cayman Islands does not include the term of office for the Auditor General.

The current Auditor General is appointed for a period of 6 years, constituting two consecutive 3-year renewable terms. In the opinion of the assessment team, this contract is sufficiently long to meet the requirements of international standards although its current structure is entirely at the discretion of the Governor. The process of appointing or reappointing the Auditor General needs further strengthening and increased transparency through additional arrangements such as ratification by Parliament.

Whereas the OAG's mandate to conduct financial and performance audits is explicitly provided in the Constitution, the mandate to conduct compliance audit is not explicitly stated save for an outdated reference in section 60(2) of the PMFA. This finding is consistent with the conclusion of a legal opinion obtained by the Auditor General on this matter, which states that "there is no express mandate for the Auditor General to perform compliance audits beyond the instances specified in section 60(2) – (4) of the PMFA". The legal opinion further concludes that from a legal perspective, however, there is a plausible argument to support the Auditor General in initiating compliance audits outside the instances in section 60(2)-(4) of the PMFA.

To address the ambiguity in the legal framework regarding the Auditor General's mandate to conduct compliance audits, the assessment team is in agreement with the recommendation of the legal opinion, which states that "notwithstanding the conclusion in the preceding paragraph, the legislative framework for the Auditor General in the Cayman Islands would benefit from clarification to expressly

affirm that the Auditor General is generally empowered to initiate and conduct compliance audits, together with any other relevant provisions required to guide and inform this important practice". The International Standards require that, as a minimum, SAIs should be empowered to audit the legality and regularity of government or public entities (compliance audit), the quality of financial management and reporting (financial audit) and the economy, efficiency and effectiveness of government or public entities' operations (performance audit).

A new Audit Act is currently being drafted. It is anticipated the OAG will take advantage of this process to engage with the relevant authorities and stakeholders in an effort to further strengthen the SAI's legal framework.

ii) The Value and Benefits of Supreme Audit Institutions – Making a Difference to the Lives of Citizens

1) Strengthening the accountability, transparency and integrity of government and public sector entities

As empowered by the Constitution, the Auditor General conducts audits of the accounts of all public entities in the Cayman Islands and undertakes value for money investigations in respect of the activities undertaken by public bodies. The Auditor General reports on the findings of the audits and submits the audit reports to Parliament in accordance with the provisions of the legal framework. The OAG publishes the audit reports to inform the citizens and other stakeholders how public resources have been applied by government institutions and public bodies. By conducting audits, reporting and publishing the audit results, the OAG plays a key role in strengthening the accountability, transparency and integrity of public sector entities.

According to the 2021 general report, the audit opinions issued have improved significantly between 2011-12 to 2021. Notably, the number of qualified opinions decreased from seven in 2011-12 to two in the 2014-15 financial year. Additionally, since 2018, no core government entity has been issued with a qualified opinion. A similar trend has also been noted for the audit of Statutory Authorities and Government Companies (SAGCs) over the same period. This is majorly due to improved quality of financial information and strengthened financial practices within the public bodies.

Public bodies have significantly improved in the preparation of annual reports to accompany their financial statements for audit, although timeliness in submission remains an area of concern. The laying of annual reports in Parliament improved in the 2020 and 2019 financial years. However, in the 2021 financial year, the tabling of the annual reports in Parliament was low due to delays by public bodies to finalise their annual reports, public bodies not submitting their annual reports to Cabinet for approval and delays by Cabinet to approve the annual reports for tabling in Parliament. Additionally, Parliament did not sit frequently enough to table the annual reports. The OAG has advised public bodies to lay their financial statements and annual reports in Parliament in a timely manner. In addition, the Auditor General has advised public bodies to publish their annual reports to enable citizens and stakeholders to understand how public resources have been used and to hold the Government and public bodies accountable. The OAG has also urged Parliament to meet more frequently to facilitate the tabling of annual reports. This will help to further strengthen public sector accountability and transparency.

The OAG follows up on implementation of OAG and PAC audit recommendations for both performance audits and financial audits. Follow up performance audits are conducted to ascertain the status on implementation of audit and PAC recommendations by the audited public bodies. Follow-up reports on past PAC recommendations are produced by the OAG and tabled in Parliament for PAC's consideration. As earlier observed in this report, the Government has however fallen significantly behind in its reporting of progress in implementing OAG and PAC recommendations. For financial audit, the OAG follows up on the implementation of audit recommendations as part of the annual audit where prior year recommendations are reviewed during the subsequent audit. Since 2021, the AG has included some high-level recommendations in the General Report that require action at the Government level to remedy some generic issues and weaknesses observed across the public sector. The General Report is tabled in Parliament and the PAC is briefed by the OAG before commencing PAC hearings. The OAG follows up on implementation of PAC recommendations from the General report and from the ISA 260s the AG chooses to table with the PAC. The resulting Follow up reports are tabled in Parliament for PAC's consideration. The OAG is contributing effectively to strengthening accountability, transparency and integrity of government and public sector entities in the Cayman Islands.

2) Demonstrating ongoing relevance to citizens, Parliament and other stakeholders

The OAG has undertaken several special investigations and other audits on request mostly from the Governor due to strong public interest. These include work on the overseas offices, procurement of lateral flow tests, and the waste management contract.

There is a strong working relationship between the OAG and the Public Accounts Committee (PAC) of Parliament. The OAG provides briefs before all PAC hearings. In May 2021, the new PAC held its first administrative meeting in which the AG and her deputies provided the committee with a briefing on the work of the OAG and how the office supports the PAC. The OAG also presented its 2020 annual report to the PAC. Further, the OAG consults with the PAC on its annual performance audit work programme, which ensures relevance in terms of the topics to be audited.

To enable a good understanding of the audit process, key audit issues and the need for quality financial statements, the OAG ensures a close but independent working relationship with the Executive. The AG meets regularly with the Governor and Deputy Governor, and the DAGs have regular meetings with Board members and other key stakeholders within Government to apprise them of key audit issues. The OAG also undertakes client satisfaction surveys with both financial and performance audit clients to seek feedback about the quality and relevance of audit reports and the audit process.

The OAG does not hold press conferences to launch audit reports but rather sends press releases to all media houses in the Cayman Islands and also publishes them on its website and social media channels. The AG is also regularly interviewed by the media based on the audit reports and press releases issued and participates in various public events, conferences and meetings where the role of the OAG in the CIG accountability process is explained.

The Office has an active online and social media presence that enables citizen engagement. Whereas the OAG has consulted with the public on some performance audits, the process is not well documented. Overall, there is room for improvement on engaging citizens in audit processes. The OAG has not had significant interactions with CSOs that deal with accountability and transparency issues

mainly due to the absence of active CSO groups within this sector. However, the OAG has had active interactions with CSO groups in other sectors, particularly the environmental sector.

3) Being a model organization through leading by example

The OAG prepares financial statements, which are audited annually by an independent auditor and made public on the OAG's website and tabled in the Parliament. In the last audit, the OAG received an unqualified opinion which demonstrates strong internal controls and financial management. The OAG prepares an annual report highlighting how it has managed its own affairs. The annual report is presented to the PAC prior to being tabled in Parliament and published on the OAG website.

To ensure adherence to ethical standards, the OAG has developed an ethics and independence policy and procedures, which are reviewed regularly and publicly available on the OAG website. Management ensures that staff are continuously engaged on issues of ethics, integrity and independence during staff meetings and throughout audit engagements. As a commitment to upholding the OAG ethical standards, staff are required to sign an ethics and independence compliance self-assessment form annually. An overall report on threats to independence and conflicts of interest is prepared by the AG as the ethics and compliance partner to be presented to the management team. A conflict of interests register for all staff and senior management declarations are available on the OAG's website.

In the last 3 years, the OAG has spent within the budget approved by Parliament, which is a further demonstration of the strong financial management practices within the institution. In addition, the OAG has an effective administrative support function which among other duties, ensures effective management of OAG assets and infrastructure.

The OAG has invested in continuous professional development of its staff through inhouse and external training, on-the-job training and professional courses. Currently, the OAG is in the process of developing a People and Organisational Development Strategy which will further strengthen the OAG's approach to developing its human resources. In addition, the OAG develops an annual Learning and Development Plan (L&DP) which coordinates all training activities.

The OAG has a well-functioning system of internal controls. However, the Office has no internal audit function which forms a vital component of an organisation's system of internal controls. Considering the size of the OAG, SAI leadership does not see the economic practicality of having an established internal audit function within the Office. As a mitigatory measure, SAI leadership has opted to conduct independent assessments of the OAG's operations, for example, this SAI PMF assessment conducted by the IDI. Additionally, the OAG has an annual audit conducted by an external audit firm which assesses the Office's financial systems and reports on the effectiveness of internal controls.

To guarantee the quality of its work, the OAG recently appointed a manager to be responsible for quality assurance and information technology. A quality assurance manual was being developed at the time of conducting this performance assessment. It is envisaged the observed weakness on quality assurance will be addressed when the quality assurance function is fully operational.

The OAG has a fairly strong strategic and audit planning system. A Strategic Plan 2019-23 is in place and the process for developing the next strategic plan was in progress at the time of conducting this performance assessment. One of the main purposes for conducting this SAI PMF assessment was to use the results as input to the development of the next strategic plan. Annual plans that detail the activities to be conducted during the year are in place.

By subjecting itself to this performance assessment conducted by an independent peer organisation, the OAG is demonstrating its commitment to a culture of quality and continuous improvement in the management of its own affairs. Further, to demonstrate transparency and accountability, SAI leadership plans to publish the results of this SAI PMF assessment.

iii) Analysis of the SAI's capacity development efforts and prospects for further improvement

The OAG's participation in the UK OT's "Better Governance of Public Finances" programme is facilitating the development of a financial audit manual and strengthening both financial and environmental audit quality management. The programme has also provided technical support to selected performance audits and the development of leadership and management skills through a mentorship programme with SAI UK. This initiative should result into better quality systems, processes and audit reports.

The OAG has participated in INTOSAI and CAROSAI capacity building initiatives both as a facilitator and a recipient, which has enabled the OAG to contribute to the growth and development of other SAIs both regionally and globally.

The OAG has also developed internal capacity building measures such as the interim audit launch for financial auditors, which focuses on technical accounting issues, improving audit methodology among other key areas. Auditors also participate in IPSAS and IFRS trainings arranged by the Cayman Islands Institute of Professional Accountants, as part of continuous professional development. Additionally, the OAG holds an annual staff retreat which focuses on updates and training on core audit skills ('soft skills' and technical skills). During the 2021 retreat, for example, a case study was used to develop critical thinking and practice interviewing skills, which are core audit skills for both financial audit and performance audit.

Whereas some capacity building initiatives such as staff induction and on-the-job coaching and training have been steered towards performance audit as part of the learning and development plan, the OAG could prioritize the development of a more structured approach to performance audit training in line with the current manual. This will further strengthen the performance audit practice within the OAG as more audits are considered in the future.

(d) SAI Management Use of Results

Following an initial self-assessment using the SAI PMF framework in 2017 - 2018, OAG Cayman Islands determined to repeat the assessment every five years. The first assessment was instrumental in the development of the OAG's Strategic plan for 2018 - 2023 and this assessment will inform the development of the strategic plan for the next period, 2024 - 2028.

The assessment has confirmed for us our areas of relative strength and weakness. We recognise that as a small SAI, we may have to limit our ambition in some areas as the resource input necessary for the benefit received by the office makes the achievement of scores of four in some areas counter-productive. We will, however, challenge ourselves to think deeply about options for improvement in all areas.

In wanting to lead by example in operating with full accountability and transparency, we intend to make this assessment report public after first sharing and discussing it with the Public Accounts Committee. We will reflect on their feedback and that of other stakeholders and again use this feedback to inform our 2024 – 2028 strategic plan.

Finally, our staff will be appraised of the assessment results and also invited to contribute their thoughts on the SAI's future development journey and how we can further improve.

I would like to thank the IDI for their commitment to helping us be a better performing SAI by allowing their team to undertake our assessment. Having been the Auditor General since 2016, it was my desire to have an independent assessment as I no longer had the objectivity I did when I arrived and led the in-house assessment the first time around. My thanks go to all at the IDI who supported us and particularly Brighton Nyanga and Godwin Matte who worked on the assessment and wrote the report. As a small SAI, we are grateful for all their time and assistance.

Sue Winspear
Auditor General
24th October 2023

Chapter 1: Assessment Methodology

This performance assessment covers all the indicators of the SAI PMF in exception of the following:

- SAI-8(iv) and SAI 18 to 20 – these indicators are not relevant to the OAG Cayman Islands as they relate to SAIs with jurisdictional functions.
- SAI-8(iii) and SAI 15 to 17 – The OAG Cayman Islands interprets the legal framework to mean that it has the mandate to conduct compliance audits although this is not explicitly stated in the legal framework. However, Compliance audit as defined by INTOSAI standards, is not included as part of the OAG’s routine audit practice. SAI leadership holds the view that the Cayman Islands is a mature jurisdiction with developed systems of governance and as such, sees little value in conducting stand-alone compliance audits. However, where it is considered helpful to assess issues of compliance, these have been included as part of financial and performance audit. The SAI can also conduct a fully-fledged compliance audit if a need arises. The last compliance audit to be conducted by the SAI was six years ago in response to a special request from DEFRA UK. Based on this status, the assessment team and SAI Management mutually agreed to exclude the compliance audit indicators from this assessment. This subject is comprehensively discussed under Section c (i) of this report as well as under Chapter 4 – Domain A.
- SAI-23(iv) – This dimension assesses professional development and training in compliance audit. Since compliance audit indicators have been excluded from this assessment, this dimension is regarded as not applicable.

The assessment covers the financial year ending 31 December 2021. The audits selected for detailed review were selected randomly by the assessment team. In selecting the sampled audits, consideration was given to the need to provide a cross section of the different categories of institutions audited by the SAI. It was agreed between the assessment team and SAI Management to include one performance audit from the 2020 financial year for the purpose of achieving a total of three performance audits in the sample. The audit universe from which the sample was selected is provided at Annex 4.

The ‘Follow-up on past PAC recommendations’ audit included in the approved TOR was replaced with the audit of the ‘Utility Regulation and Competition Office (OfReg). This is because the follow-up is not suitable for assessment against indicator SAI 13 – Performance Audit Process. Rather, the follow-up audit was assessed under indicator SAI 14 dimension (3) – Follow up on Implementation of Performance Audit Observations and Recommendations.

The audits selected for review are shown in Table below.

Sample of Audits for Review

Financial Audit		Audit Client Type	Financial Year
1	Ministry of Finance and Economic Development	Ministry, Portfolio and Office Audits	2021
2	Health Services Authority	Statutory Authority	2021
3	Cayman Islands Port Authority	Statutory Authority	2021
Performance Audit			
1	HSA Outpatient Pharmacy Services	N/A	2021
2	Improving Financial Accountability & Transparency: Financial Management & Reporting	N/A	2021
3	Efficiency and effectiveness of the Utility Regulation and Competition Office (OfReg).	N/A	2020

The evidence for the assessment was collected principally from the review of the OAG internal documents, the legal framework and CIG regulations, external reports and the specific sampled audit files. Interviews were also conducted with SAI Management and staff.

The analysis of the evidence involved assessing the sufficiency and appropriateness of the evidence against the requirements of the INTOSAI Standards and best practice. Team discussions and consultations were conducted on key issues and professional judgement was used in arriving at conclusions. Initially, the responsibility for specific indicators was allocated to individual team members. The team later worked together to conclude on the final scoring and to determine the content of the non-scoring chapters of the performance report.

As a peer assessment entails an external assessment team conducting the performance evaluation, a potential risk on the accuracy of the assessment findings was identified based on the fact that external assessors usually do not have a full understanding of the SAI’s context and the environment in which it operates. To mitigate this risk, the assessment team conducted a desk review of key SAI documents prior to the fieldwork. In addition, the assessment team consulted SAI management on several issues throughout the assessment process and the draft report was subjected to an extensive review for factual correctness by SAI management.

The table below outlines the plan and process for conducting the assessment:

Process for Conducting the Assessment

Date	Assessment steps	Expected Outputs
September 2022	1. Prepare the Terms of Reference (TOR), document collection and desk review	-Approved TOR -Initial understanding of SAI operations and the wider external environment
October - November 2022	2. Main data collection –field visit, compilation of data and preliminary analysis	Preliminary assessment results
January – March 2023	3. Preparation of draft performance report	Draft performance report
April 2023	4. Check on factual correctness of the report by the OAG.	Updated draft performance report
April 2023	5. Independent Review by IDI	-Independent Review Statement -Final performance report

Due to unforeseen circumstances, however, the final performance report was completed in August 2023. The draft report was submitted for independent review by IDI on 21 September 2023 and a clean Independent Review Statement was issued on 9 November 2023.

The assessment went through three (3) layers of quality management.

(i) Quality control within the assessment team

The team leader was responsible for ensuring the quality of the assessment work and report. Overall, the assessment was characterised by team discussions and collective agreement on how to proceed on issues that required the application of professional judgement.

(ii) Check on the Factual Correctness of the Report

The check on the factual correctness of the assessment report was conducted by a team within the OAG lead by Ms Sue Winspear - Auditor General. The other team members were Ms Angela Cullen – DAG Performance Audit, Mr Patrick Smith – DAG Corporate and International, Mr Winston Sobers – Acting DAG Financial Audit and Mr Julius Aurelio, Audit Manager – Quality Assurance and Information Technology. This team has vast knowledge of the SAI, its internal processes and the wider environment in which the SAI is operating. The team was independent of the assessment team. The assessment scoring and conclusions, however, remains the sole responsibility of the assessment team.

(iii) Independent Review of the Draft Performance Report

Following confirmation of the factual correctness of the assessment findings, the draft performance report was submitted to the IDI for an independent review. The independent review confirms that the assessment has been conducted, in all material respects, in accordance with the SAI PMF assessment methodology.

The assessment was conducted by a team of two staff from the SAI PMF Team in the IDI – Mr Brighton Nyanga (Team Leader) and Mr Godwin Matte. The team members possess the relevant professional audit background, experience and knowledge of the SAI-PMF. Collectively, the team has the profile to ensure this performance assessment is conducted and completed in a professional manner that guarantees a high quality performance report.

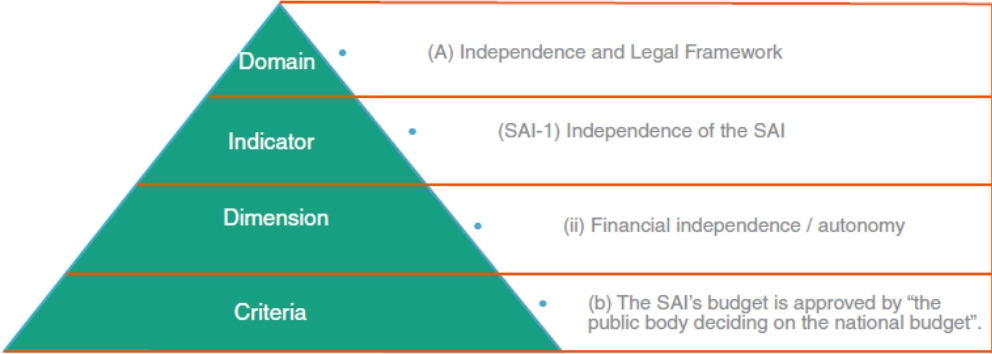
Chapter 2: SAI PMF Scoring Methodology

The SAI PMF consists of 6 domains that assesses the performance of the SAI in key areas:

- A. Independence and Legal Framework
- B. Internal Governance and Ethics
- C. Audit Quality and Reporting
- D. Financial Management, Assets and Support Structures
- E. Human Resources and Training
- F. Communication and Stakeholder Management

Each of the domains contains a number of indicators, 25 in total. The indicators each consist of between two and four dimensions and each dimension contains several criteria. An illustration of how the assessment system is built up is presented in the figure below.

SAI PMF Structure



In many cases, the criteria are taken directly from the INTOSAI Framework of Professional Pronouncements (IFPP) or other international good practice. After each criterion is assessed against appropriate evidence and scored as either met or not met, the score at the dimension level is determined by the number of criteria that are scored as met or not met. The indicator score is aggregated using the conversion tables in the SAI PMF document. For this performance assessment, however, except in a few cases, the dimension and indicator scores were automatically generated through the e-SAI PMF application.

Indicators and dimensions are scored using a numerical scale from 0 to 4, where 0 is the lowest level, and 4 is the highest. Scores broadly correspond to the level of development in the area measured by the indicator. The SAI PMF does not provide an aggregated score at the domain level or for the sum of the SAI's activities like some other tools do. The level of development and hence the scores, may vary widely across the SAI's activities. The indicator score levels 0-4 reflect the level of development for the different activities as described below:

Score 0: The feature is not established or barely functions

There is no activity or function, or the particular feature only exists in name.

Score 1: The founding level

The feature exists, but is very basic. For example, a SAI is conducting performance audits, but these are so irregular that a systematic approach, and accumulated experience and knowledge have not been obtained, and this is reflected in the quality of the work.

Score 2: The development level

The feature exists and the SAI has begun developing and implementing relevant strategies and policies, but these are not complete and are not regularly implemented. For example, the SAI may have a strategic and development action plan, a human resource strategy and a communications strategy. However, if these are weak and/or only partially implemented, this will be reflected in the score.

Score 3: The established level

The feature is functioning broadly as expected under the INTOSAI Principles and the ISSAIs at the principles level. Under Domain C, this would mean that compliance, financial and performance audit are all undertaken broadly following the ISSAIs at the principles level in the IFPP. A large proportion of the financial statements received are subject to financial audit. Audit reports give a holistic view on the use of all public resources and on the performance of audited bodies. The majority of audit reports are published in a format that is appropriate for the intended audience.

Score 4: The managed level

The feature is functioning in full compliance with the INTOSAI Principles and the ISSAIs at the Principles level and the SAI implements the activities in a way that enables it to evaluate and continually improve its performance. For Domain C, compliance, financial and performance audits are all undertaken following the ISSAIs at the Principles level in the IFPP and are seen as adding value by audit clients. In addition, the SAI has undertaken an independent review of its audit practices, for example using the ISSAI Compliance Assessment Tool (iCAT), confirming that the SAI's audit practices comply with the detailed INTOSAI Standards.

It is also important to point out that even with a top score, it should also be evident that the SAI is making efforts to maintain this level of performance. This could be described in the narrative and drawn into the performance analysis.

Chapter 3: Country and SAI Background Information

This chapter provides information on the wider context to SAI performance as well as the core characteristics of the Office of the Auditor General of the Cayman Islands.

3.1 Description of country governance arrangements and wider environment in which the SAI operated

Country Context – General Economic Development

The Cayman Islands are an overseas territory of the United Kingdom. Over the last twenty years, the Cayman Islands have experienced rapid growth in almost all sectors, especially in banking, insurance, offshore management, and tourism.

According to the Cayman Islands' Gross Domestic Product (GDP) Report for 2021, the Cayman Islands' economy expanded in 2021 after contracting in 2020. The GDP grew by 4% in 2021, reversing the 5.1% decline posted in 2020. The positive economic performance was broad-based, with 16 of the 18 industries growing in 2021. The six industries posting the largest change in GDP were (i) human health and social works (ii) hotel and restaurant services (iii) manufacturing (iv) transport and storage (v) construction activities and (vi) agriculture and fishing. Financial and insurance services grew by 1% in 2021, from 0.9 % and 2.5% in 2020 and 2019, respectively.

Economic activity continued to be negatively impacted by the travel restrictions caused by the Covid 19 pandemic, which led to a significant decline in the tourism sector. Governmental figures show that the domestic economy was expected to accelerate by 5% in 2022 and an average of 3.2% per year in the period 2023-2025, although much will depend on the global economic situation.

The residents of the Cayman Islands enjoy a high standard of living (the GDP per capita is estimated at USD 74,155 by the World Bank). The territory enjoys social stability and racial harmony, very little crime and a stable level of unemployment¹. Data from the Economics and Statistics Office show that the unemployment rate stood at 2.1% in the second half of 2022. Compared to one year earlier, the total labor force increased by 18.3% to reach 57,583 persons². It is important to note, however, that the past 2 to 3 years have seen employment figures go up and down due to the effects of the Covid 19 pandemic.

According to the unaudited financial statements for the Government of the Cayman Islands for the year ended 31 December 2021, the Government recorded an operating deficit of \$48.9 million in the financial year ended 31 December 2021. The central government's outstanding debt fell anew and settled at \$252.1 million as of December 2021, lower than the \$284.9 million recorded in December 2020.

The average consumer price index inflation was estimated at 3.3% in 2021, albeit continued increases in international food and energy prices are expected to add upward pressures on inflation in the short term³

¹ <https://www.lloydsbanktrade.com/en/market-potential/cayman-islands/economy, latest update – July 2023>

² <https://www.lloydsbanktrade.com/en/market-potential/cayman-islands/economy, latest update – July 2023>

³ <https://www.eso.ky/data/files/Annual%20CPI%20and%20Inflation%20Rates%201q2022.xlsx>

Education

According to the Office of Education Standards, the overall rating of quality of Education in Cayman Islands ranges from excellent to weak. There are a few schools rated as excellent, a considerable number rated as good with the majority being satisfactory or weak. There is still much to be done to reach the expectation of a good standard of education for all students in the Cayman Islands⁴. Education is compulsory from the age of 5 to 17 for all children on the Islands and is free to all Caymanian children and those who qualify as residents. Government schools follow a British-style educational system.

In the Cayman Islands, foreign workers make up a large percentage of the workforce and come from over 130 countries. The growth in the number of expatriates is mainly within the two pillar industries that fuel Cayman's economy, tourism and finance⁵. According to the Economics and Statistics Office, as of the end of March 2022, there were 29,294 work permits issued, an expansion of 17.8% relative to 24,878 in the same period of 2021. The sectors employing the most work permit holders for the quarter were construction, accommodation and food services, and households⁶.

The availability of suitably qualified local staff to take up jobs in the OAG has been a challenge in some instances. It is Government policy and legal requirement to prioritize the offer of jobs to Caymanians, however, when the required skills are not available, the OAG has recruited non-Caymanian staff from on island and overseas.

Note: Unless stated otherwise, all the monetary values included in this section are in KYD, exchange rate 1KYD = 1.25 USD

Country Governance Arrangements

The Cayman Islands is a parliamentary democracy with judicial, executive and legislative branches. The present Constitution, which came into effect in November 2009, provides for the government of the Cayman Islands as a British Overseas Territory. The constitution provides for internal autonomy under a Governor, a Cabinet, and a Parliament. The British monarch, represented by the Governor, is head of state. The head of government is the Premier, appointed by the Governor to serve no more than two consecutive four-year terms.

The Parliament of the Cayman Islands is a unicameral 19-member Parliament directly elected for a 4-year term. The Deputy Governor and the Attorney General are ex-officio members of Parliament, bringing the total number of members of Parliament to 21. The power to make laws rests with Parliament. However, the UK has the power to enact laws for the Cayman Islands without the assent of the Legislature.

⁴ The National Schools Progress Report of the Chief Inspector for School Inspections between 2018 and 2022

⁵ Joan Boxall, Publishing Director – CaymanResident: <https://caymanresident.com/work/employment-opportunities-rules>

⁶ The Cayman Islands' First Quarter Economic Report 2022: [https://www.eso.ky/UserFiles/page_docs/uploads/the_cayman_islands_first_quarter_2022_ec.pdf](https://www.eso.ky/UserFiles/page_docs/ uploads/the_cayman_islands_first_quarter_2022_ec.pdf)

Headed by the Chief Justice, the Judiciary administers the law independently of the executive and the legislature arms of Government. It consists of three jurisdictions – the Summary Court, the Grand Court and the Court of Appeal.⁷

For administrative purposes, the Cayman Islands is divided into 6 districts. The Cayman Islands, with a population of 71,432⁸ is governed under a parliamentary system with a multi-party democracy. There is one political party namely the People’s Progressive Movement (PPM) with the majority of Members of Parliament being independent.

- **Media**

The media in the Cayman Islands constitutes state-owned and several privately-owned media houses. The media organisations are free to report on diverse issues without any consequences from the Government. The legal framework in the Cayman Islands promotes freedom of speech, right of expression and the right of association. There is nothing that has come to the attention of the assessment team that suggests inadequate media freedoms in the Cayman Islands.

- **Civil Society**

There are a few civic-oriented Civil Society Organisations in the Cayman Islands. Whereas the few available CSOs focus on sectors such as the environment, education, human rights and health, there is no active CSO presence in the sector of public financial management and oversight in the Cayman Islands.

3.2 Description of public sector budgetary environment including public financial management and impact on SAI performance

This section provides an overview of the structure of the public sector and details of the public sector budget in terms of revenue, expenditure by administrative or functional classification and levels of debt. This information is vital as it informs the assessment of the SAI’s ability to focus on the most significant government operations in the delivery of its mandate.

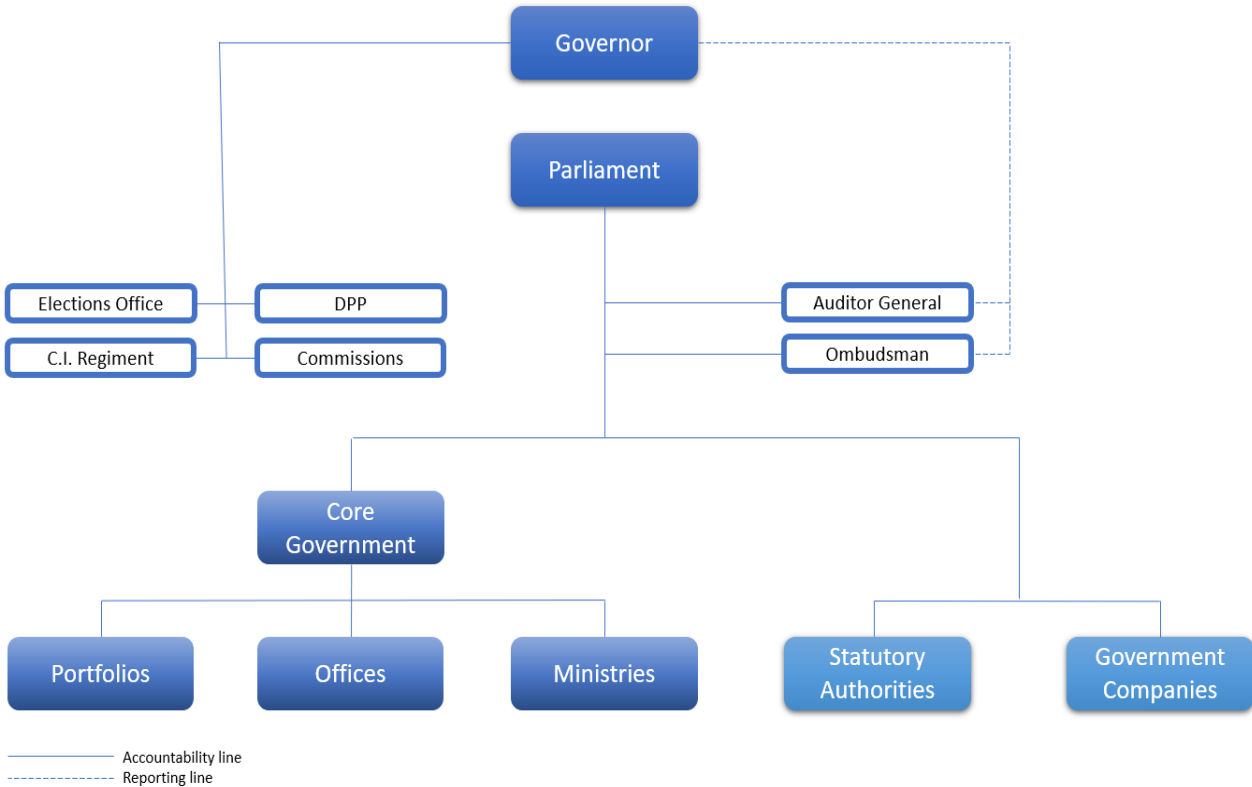
Structure of the Public Sector

The organisation structure of the Cayman Islands Government is shown below.

⁷ http://www.caribbeanelections.com/ky/education/government_structure.asp

⁸ 2021 Census Report

Organogram – Public Sector of the Cayman Islands



Source: OAG Cayman Islands

The Governor is His Majesty The King's representative in the Cayman Islands. The King is the Head of State of the Cayman Islands. The Governor appoints the Premier and other senior officials to the public office.

Under the direct supervision of the Governor are the Elections Office, Cayman Islands Regiment (defence), Director of Public Prosecutions and six independent Commissions. The Core Government entities, Statutory Authorities and Government Companies are accountable to the people of the Cayman Islands through the Parliament. The Auditor General and the Ombudsman report to the Governor administratively but are accountable to the Parliament in the execution of their constitutional mandate.

Public Sector Budget

The table below shows a summary of the financial position for the entire public sector based on the unaudited financial statements for the period 2020 to 2022. .

Statement of Comparison of Budget and Actual Amounts for the Entire Public Sector: 2020 - 2022⁹

	2020		2021		2022	
	Budget \$000	Actual \$000	Budget \$000	Actual \$000	Budget \$000	Actual \$000
Total Revenues	825,034	797,359	849,724	961,116	940,909	1,021,267
Total Expenditures	760,367	878,022	776,970	979,153	922,647	968,094
Total Other (Gains)/Losses	(17,230)	20,363	14,977	30,880	34,024	(17,836)
Net Surplus/(Deficit) for the Period	47,437	(101,026)	57,777	(48,917)	(15,762)	71,009

Source: *Financial Statements for the Government of the Cayman Islands: 2020 – 2022 (unaudited)*.

The summary of the financial position for the entire public sector shows a steady rise in total revenue over the period 2020 to 2022. The total revenue increased by 28% from 2020 to 2022, due to a boost in economic activities largely supported by the relaxed COVID 19 restrictions over the period. In 2020, the revenue items recorded significant negative year-to-date revenue variances primarily as a result of the closure of the borders due to the mitigation of the COVID-19 pandemic. The total operating expenses increased by 10% between 2020 and 2021, followed by a marginal decrease in 2022. A net deficit of \$101 million was recorded in 2020, a result that is largely attributed to the effects of the COVID 19 pandemic on the economy of the Cayman Islands. Similarly, 2021 posted a net deficit but eased up with a decrease of 52% from the deficit recorded in 2020. The financial year 2022 depicts a healthier financial position both in terms of total revenues and total expenditures, posting a net surplus of \$71 million after a consecutive two years of recording a net deficit.

Regarding allocating operating expenditures targets by Minister/Official Member, the Government considered strategic goals and objectives within the context of its overall fiscal strategy. Where a critical need was identified and the Government could afford to fund it, appropriate resources were directed to the relevant area. The allocations by Agency are shown in the table below.

⁹ All monetary values are in KYD, exchange rate: 1 KYD – 1.25 USD

Operating Expenditures Targets by Agency / Allocation by Minister/Official Member			
\$000s			
Agency	2020	2021	2022
Public Accounts Committee (Audit Office)	2,945	2,975	3,004
Attorney General (Judicial Administration)	17,234	17,407	17,581
Attorney General (Director of Public Prosecutions)	4,196	4,237	4,280
Attorney General (Portfolio of Legal Affairs)	9,567	9,662	9,759
Deputy Governor (Portfolio of the Civil Service)	45,378	47,132	46,203
Cabinet Office	16,101	15,999	16,159
Office of the Ombudsman	2,196	2,218	2,240
Minister for Ministry of Human Resources and Immigration	86,679	87,546	88,421
Minister for Ministry of Community Affairs	43,797	44,235	44,677
Minister for Ministry of International Trade, Investments, Aviation and Maritime Affairs	1,717	1,734	1,752
Minister for Ministry of Finance and Economic Development	76,985	75,002	74,731
Minister for Ministry of District Administration, Tourism and Transport	61,428	62,042	62,663
Minister for Ministry of Commerce Planning and Infrastructure	59,815	60,414	61,018
Minister for Ministry of Education, Youth, Sports, Agriculture and Lands	131,611	134,892	136,241
Minister for Ministry of Health, Environment, Culture and Housing	98,265	99,248	100,240
Minister for Ministry of Financial Services and Home Affairs	81,022	81,832	82,650

Source: CIG 2020 Strategic Policy Statement

The Government did not plan to undertake any new borrowings during the Strategic Policy Statement period 2020 – 2022 although a Public Private Partnership (PPP) which is a form of borrowing was being arranged. The table below shows the Core Government's debt portfolio for the financial year ended 31 December 2021.

Borrowing/Public Debt – 2021 Financial Year

Description	Opening Balance 1 January 2021	Drawdowns/ Additions	Repayments	Closing Balance 31 December 2021
	CI\$000	CI\$000	CI\$000	CI\$000
Core	248,557	8,375	34,227	222,705
Cayman Islands Development Bank	11,698	-	4,076	7,622
National Housing Development Trust	3,549	-	777	2,772
Cayman Airways Limited	21,155	-	2,137	19,018
Total	284,958	8,375	41,217	252,117

Source: Financial Statements for the Government of the Cayman Islands - 2021 (unaudited)

In 2022, the borrowing/public debt increased by 110%, from CI\$252.1 million as at 31 December 2021 to CI\$528,893 as at 31 December 2022¹⁰

¹⁰ Financial Statements for the Government of the Cayman Islands for the Year ended 31 December 2021 (unaudited)

Budgeting Process

The budgeting process in the Cayman Islands is led by the Ministry of Finance. Public service entities, including the OAG Cayman Islands are required to prepare and submit to the Ministry of Finance, proposed budgets for the next budget period comprising two financial years. The arrangement for the approval of the budget of the OAG Cayman Islands, however, differs from the rest of the public service institutions.

In exception of the budget of the OAG Cayman Islands, the Ministry of Finance receives all budget submissions from Ministries, Portfolios and Offices and arranges for a Cabinet review of the budget submissions. The OAG Cayman Islands makes its budget submission to the Public Accounts Committee for their consideration rather than the Cabinet. This practice consolidates the SAI's financial independence from the Executive arm of government and is consistent with the Lima Declaration on SAI independence.

The OAG Cayman Islands considers the budget guidance issued by the Ministry of Finance although the SAI is free to develop and submit the level of budget it deems necessary to fulfil its mandate. The final budgets agreed upon by the Cabinet and PAC in the case of the OAG budget, are submitted to Parliament through the Finance Committee for debate and approval.

The Government budgeting process in the Cayman Islands goes through the following phases: strategic phase, detailed planning and budgeting phase, Cabinet collective review phase, Parliament review phase and documentation phase. A strategic policy statement for the next budget period is presented to the Parliament¹¹.

In a performance audit report on budgeting in CIG (in December 2020), the Auditor General observed that the CIG budgeting process is overly complex. Accordingly, the Auditor General has recommended simplification of the budgeting process and improving the transparency of budget documents¹².

Government Annual Reporting

Government annual reporting forms a key component of the Cayman Islands public sector budgetary environment. The PMFA requires public bodies to prepare an annual report within five months after the end of each financial year. The report includes, among other details, financial statements relating to the core government and for the entire public sector for the year¹³.

As required by PMFA, all Cayman Islands public bodies prepare financial statements annually in accordance with the law. However, there is room for improvement on timeliness in submission of financial statements to the Auditor General for audit, although this affects only a small proportion of the public bodies. For example, 4 of the 49 public bodies (representing 8%) did not submit their 2021 financial statements on time¹⁴.

The annual report enables stakeholders, legislators and citizens to fully understand how public bodies have used public resources and to hold the Government and public bodies accountable. Over the years,

¹¹ Section 17-23 of the PMFA

¹² OAG – Improving Transparency and Accountability - Budgeting

¹³ Section 29A (1)(2) of the PMFA

¹⁴ Financial Reporting of the Cayman Islands Government: General Report 31 December 2021

the number of public bodies preparing annual reports has increased considerably. However, the timeliness of these reports reaching the House of Parliament remains a concern¹⁵.

The International Public Sector Accounting Standards (IPSAS) and the International Financial Reporting Standards (IFRS) are used as the financial reporting framework for the public sector in the Cayman Islands.

External Audit and Legislative Scrutiny

As per Section 60 of the PMFA, it is the duty of the Auditor General to conduct audits of the financial management of any ministry, portfolio office, statutory authority or government company. In addition, the Auditor General is mandated to conduct the audits on the economy, efficiency and effectiveness with which any ministry, portfolio office or any statutory authority or government company has used its resources in discharging its functions and in its financial dealings¹⁶.

The Auditor General presents to the Parliament at least one general report in each year on the results of financial audits and any matters she wishes to bring to the attention of the Parliament. In addition, the Auditor General presents a report on each investigation requested by the Parliament¹⁷.

Internal Audit

The PMFA establishes a function of Internal Audit in the public service of the Cayman Islands. The Director of Internal Audit is responsible for reviewing the management systems operated by entities (other than the Audit Office) for compliance with the applicable laws and regulations and assisting the Chief Officer of Finance to monitor compliance with all other requirements of the relevant laws on financial management¹⁸.

Within the CIG, the Internal Audit Services (IAS) helps entities to accomplish their objectives by bringing a systematic and disciplined approach to evaluate, safeguard and improve the effectiveness of governance, risk management, and control processes. The IAS remit aligns with that of the Audit Risk and Assurance Committee (ARAC) for the core Ministries and Portfolios¹⁹. The IAS reports to the ARAC.

The OAG has no internal audit function. The IAS does not extend its internal audit services to the OAG on the grounds that the IAS is under the control of the Portfolio of the Civil Service, which is one of the OAG's audit clients. The scope of the audits conducted by the OAG encapsulates the operations of the IAS. It would therefore be an impaired arrangement for the IAS to assess the OAG. As stated earlier in this report, considering the size of the OAG, SAI leadership does not see the economic practicality of having an established internal audit function within the Office.

Procurement

The Cayman Islands has a legislative framework for procurement that covers the public sector. The Procurement Act and the Procurement Regulations are the key legislation that govern public procurement in the Cayman Islands. In addition, there are several procurement guidance documents

¹⁵ Financial Reporting of the Cayman Islands Government: General Report 31 December 2021

¹⁶ Section 60 (1) of the PMFA

¹⁷ Section 61 of the PMFA

¹⁸ Section 56A (1)(2) of the PMFA

¹⁹ <https://www.gov.ky/pocs/units/internal-audit-service-unit>

and policies such as the CIG Procurement Manual, Reference Guide to Procurement Act, Contract Management tools, Procurement Policy and the Code of Conduct for Procurement.

The Central Procurement Office provides guidance and advice on procurements within the CIG. The OAG has its own Entity Procurement Committee and procurement policy, which has stricter limits than prescribed by the legislative framework.

3.3 Description of the SAI's legal and institutional framework, organizational structure and resources

Legal and Institutional Framework

The Office of the Auditor General of the Cayman Islands operates under a "Westminster" model of SAIs. The overarching role and powers of the Auditor General are set out in the 2009 Constitution Article 114 (3) which requires that there shall be an Auditor General who shall have "the power and responsibility to audit the public accounts of the Cayman Islands and the accounts and financial dealings of all authorities, offices and departments of Government and of all courts, and power to undertake value for money investigations in respect of the activities of such authorities, offices and departments".

Article 114 (3) of the Constitution clearly sets out the mandate of the Auditor General and the office to carry out both financial and performance audit work. The mandate of the Auditor General is further detailed in the Public Management & Finance Act 2020 (PMFA).

Article 114 (6) of the Constitution also clearly provides for the independence of the Auditor General when it states that "In the exercise of his or her functions, the Auditor General (and any person acting on his or her behalf in the exercise of those functions) shall not be subject to the direction or control of any other person or authority, save that the Auditor General is answerable to the Public Accounts Committee of the Parliament and must attend upon the Committee at its request."

The role and responsibilities of the Auditor General and the Office are also further prescribed in Part (vii) of the Public Management and Finance Act (PMFA) which sets out the Auditor General's powers and duties, independence, reporting responsibilities and right to access information. It also sets out how the OAG is held accountable. Section 60 specifically prescribes the Auditor General's powers and duties as follows:

- (a) conduct audits required under this Act.
- (b) on his or her own initiative or at the request of the Parliament or of any of its committees or subcommittees, conduct investigations into-
 - (i) the management of executive financial transactions;
 - (ii) the financial management of any ministry, portfolio, statutory authority or government company or the Office of the Ombudsman, and;
 - (iii) the economy, efficiency and effectiveness with which any ministry, portfolio, statutory authority or government company, the Office of the Ombudsman, has used its resources in discharging its functions
- (c) at the request of the Parliament or of one of its committees or subcommittees, provide advice and assistance to the Parliament or to any of its committees or subcommittees; and

- (d) if he or she is authorised in writing to do so by the Governor in the public interest, conduct investigations into the financial management or affairs of persons, companies and bodies other than those referred to in paragraphs (a) to (d).

The OAG is independent in its work and operations but relies on the Cayman Islands Government (CIG) budgeting framework for getting its annual resourcing budget and is expected to comply with CIG recruitment and pay policies and practices as per the PSMA and the Personnel Regulations. The work and budget of the OAG is overseen by the PAC.

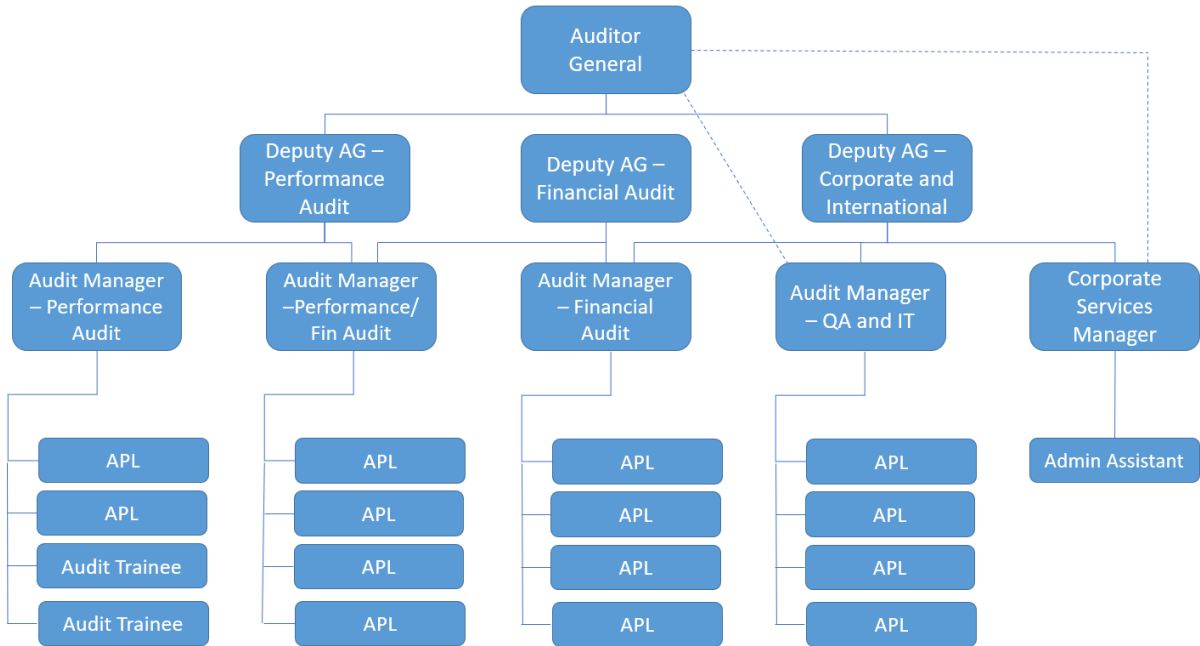
The Auditor General reports to the Governor for administrative purposes but is not under the direction of any person or authority in the fulfilment of his or her mandate. In terms of the outputs of the OAG (audit reports), the Auditor General reports to the Parliament via the PAC. The PAC is traditionally chaired by the Leader of the Opposition in Parliament.

The Auditor General also has the power to engage the services of qualified auditors and specialists to assist with the examination of any technical, professional or scientific problem relevant to the audit (outsourcing). She is entitled to have access to all books, records, returns and other documents, stores and property and to be furnished with such information and explanations as may be necessary for the performance and discharge of her duties and functions.

Organisation Structure

The organisation structure of the OAG Cayman Islands is as shown below.

OAG Organisation Structure



Source: OAG Cayman Islands

The Office is headed by the Auditor General who is assisted by three Deputy Auditors General in charge of financial audit, performance audit and corporate and international functions. Under the Deputy Auditors General are Audit Managers, Audit Project Leaders, an Auditor and Professional Audit Trainees. The Corporate Services Manager who is assisted by an Administrative Assistant, is responsible for managing the corporate support services such as finance and human resources. As of December 2022, the Office had a total of 23 staff (21 audit staff, including management, and 2 administrative staff). The SAI has no regional offices.

Financial Resources

Section 68 of the PMFA empowers the Auditor General to charge fees for the audit services provided to audit clients or the PAC for the reports issued to Parliament. As a public body, the OAG is fully funded by the CIG although technically, the Office is funded by the fees charged for the audit services provided to audit clients and the PAC. The Office does not receive donor or sponsor funding for the running of its operations.

The table below shows a summary of revenue and expenditure for the OAG Cayman Islands for the period 2018 to 2021.

Revenue and Expenditure: 2018 – 2021

Revenue and Expenditure	Financial Year			
	2018	2019	2020	2021
	\$000	\$000	\$000	\$000
Revenue – Audit services to PAC	752	709	568	825
Revenue – Audit services to other government agencies	2,332	2,202	1,915	2,533
Personnel costs	2,186	2,136	2,231	2,342
Operating costs	316	323	322	421
Depreciation	16	16	18	14
Net surplus/(deficit)	566	436	-88	581

Source: OAG Annual Report - 31 December 2021

As seen in table, the Office generated a surplus in three of the past four years. The deficit in 2020 was due to revenue being lower than budgeted as a direct result of the COVID-19 pandemic²⁰. The OAG has sufficient financial resources required to carry out its audit mandate.

²⁰ OAG Annual Report – 31 December 2021

Chapter 4: Assessment of the SAI’s Performance

The objective of this chapter is to provide an assessment of the key elements of SAI performance, as measured by the indicators.

4.1 Domain A: Independence and Legal Framework

Domain A covers the legal mandate of the SAI and its independence. The purpose of the domain is to consider the institutional basis for the SAI’s operations. The independence and legal framework are not directly under the control of the SAI, nevertheless the domain has been included in the SAI PMF due to its significance to the effectiveness of a SAI.

The following table provides an overview of the dimension and indicator scores for OAG. Section 4.1.1 and 4.1.2 provide further details.

Domain A: Independence and legal framework		Dimensions				Overall score
Indicator	Name	1	2	3	4	
SAI-1	Independence of the SAI	3	4	4	1	3
SAI-2	Mandate of the SAI	4	4	4		4

4.1.1 SAI-1: Independence of the SAI - Score 3

SAI-1 measures the degree of independence enjoyed by the SAI, by assessing the key aspects of independence as set out in the Lima Declaration (INTOSAI-P 1) and the Mexico Declaration (INTOSAI-P 10).

The indicator is separated in four dimensions:

- (1) **Appropriate and Effective Constitutional Framework.**
- (2) **Financial Independence / Autonomy.**
- (3) **Organisational Independence / Autonomy.**
- (4) **Independence of the Head of SAI and its Officials.**

The assessment of SAI-1 is mainly based on a review of the legal framework governing the establishment and operations of OAG.

Indicator Summary

The establishment of the OAG is based on an appropriate and effective Constitutional framework. However, as highlighted below, there are some fundamental aspects of the Constitutional framework that may require to be addressed to align the functioning of the SAI with the requirements of international standards and best practice.

It is evident that the OAG enjoys a high degree of financial and organisational independence. The SAI’s independence as envisaged by international standards is however constrained in some aspects by the fact that the OAG is a government institution that operates within the rules and regulations that apply to the wider public service in the Cayman Islands. According to SAI Management, there

are improvements that can be made to the current budgetary process to increase efficiencies; not just for the OAG but the wider government. Although the OAG is not impeded from carrying out its mandate under the current budgetary process, greater budgetary autonomy would have strategic benefits. For example, at present the budget structure for the OAG separates the allocation of budgeted funds between personnel costs and the operating expenses and in order to vary funds between these two categories, authorisation has to be obtained from the Ministry of Finance. In addition, once there has been an approval from the Public Accounts Committee on the amount of funding required by the OAG to achieve its mandate, there should be no adjustments to the SAI's budget by the Ministry of Finance (as suggested by the finding in paragraph 47 and 48 of the Cayman Islands Performance Report dated October 2018) especially given that not all of the powers under governmental budgeting provisions fall to the PAC²¹. The OAG has also encountered instances when preferred candidates from within the Cayman Islands did not proceed to contract due to the flexibility that private firms have (that OAG does not have) in counter-offering higher remuneration. The power to determine the terms and conditions of service such as remuneration of staff is not within the control of the OAG.

The Constitutional framework does not include a clause on the term of office for the Auditor General. This leaves the term of the Auditor General to follow the existing rules on civil servant appointments which includes a 3-year appointment limit for non-Caymanian postholders. However, the current Auditor General was appointed for a period of 6 years, constituting a 3-year term renewable for another 3 years. The assessment team holds the view that this arrangement provides the AG with a tenure of office which is sufficiently long to meet the requirements of international standards although granting the contract in this manner is entirely at the discretion of the Governor. As a minimum, the term of Office for the Auditor General should be guaranteed in the Constitution.

Further, the existing rules for appointing or reappointing the Auditor General do not appear to support a transparent process that ensures the Auditor General's independence. The process for appointing the AG needs further strengthening and increased transparency through additional arrangements such as the involvement of Parliament.

Dimension (1): Appropriate and Effective Constitutional Framework

Section 114 (1) of the Constitution creates the legal foundation for the establishment of the Office of the Auditor General of the Cayman Islands. This section states in part that "there shall be an Auditor General whose office shall be a public office" (criterion a). The operational independence of OAG is guaranteed in Section 114 (6) of the Constitution which states "In the exercise of his or her functions, the Auditor General (and any person acting on his or her behalf in the exercise of those functions) shall not be subject to the direction or control of any other person or authority, save that the Auditor General is answerable to the Public Accounts Committee of Parliament and must attend upon the Committee at its request" (criterion b).

Based on the positive outlook of SAI Cayman Islands' financial and operational independence (see dimensions 2 and 3 below), coupled with the provision of Section 114 (6) of the Constitution, the assessment team concludes the independence provided under the Constitution and law, guarantees a very high degree of initiative and autonomy in the operations of SAI (criterion c).

²¹ Cayman Islands Performance Report – October 2018

The appointment of the Head of SAI is provided for under Section 114 (1) which states in part, that "the power to make appointments to the Office of the Auditor General, and to remove or exercise disciplinary control over any person holding or acting in that office, is vested in the Governor, acting in his or her discretion". Further, Section 114 (2) provides for the removal of the Head of SAI, stating "The Auditor General may be removed from office only for inability to discharge the functions of his or her office (whether arising from infirmity of body or mind or any other cause) or for misbehaviour". As already established, the Head of SAI's decision-making powers are guaranteed under Section 114 (6) of the Constitution. However, the Constitution does not provide for the term of Office for the Head of SAI. Currently, the Head of SAI is appointed on a renewable contract term of 3 years. This arrangement is not covered by the Constitution (criterion d).

Although there is no specific legal protection over and above what is provided in Section 114 (6) and Section 64 (4) to (7) of the PMFA, it was established that in practice, the Auditor General deals directly with any threats to her independence using the available Constitutional provisions that guarantee her independence. If absolutely necessary, the Auditor General has the option to call on the support of the Governor or issue a legal letter to deal with the matter (criterion e).

The Annual Report for 2021 provides an example of OAG's practice of reporting on matters that may affect its ability to fulfill its mandate. Under the subheading 'Independence of the SAI' the Annual Report - 2021 states that, "In the past there have been significant challenges to our independence, in particular given constraints placed on our financial and human resources. However, we have continued to move forward the agenda of strengthening the independence of the OAG and working with Government". In addition, the SAI's reports to PAC indicate that the OAG has reported on issues relating to remuneration of SAI staff and the budget of the SAI (criteria f).

The minutes of PAC meetings indicate that the SAI has been proactively involved in promoting, securing and maintaining an appropriate and effective constitutional, statutory and legal framework. Additionally, as evidenced by the letters of engagement, the SAI has contracted a lawyer to assist with drafting of a new law for the Auditor General (criterion g).

Dimension (2): Financial Independence/Autonomy

The legal framework safeguards SAI Cayman Islands' financial independence from the Executive. Section 67 (2) of PMFA states that-

"Notwithstanding sections 9, 19, 20, 22, 30 and 31, the Public Accounts Committee shall —

- (a) be granted the appropriations relating to the Audit Office;
- (b) in respect of the Audit Office, undertake the duties assigned to the Cabinet or a Minister under sections 19, 20(a) and (b), 22(a), 30 and 31;"

As evidenced by Section 67 (2) above, the budget of OAG is considered directly by Parliament (PAC) and not the Executive as is the case in many countries around the world (criterion a).

Based on Section 67 (2) subsection (a) and (b) highlighted in the paragraph above, OAG is free to propose its budget to Parliament without any interference from the Executive and has the right of direct appeal to the PAC (legislature) if the resources provided are insufficient to allow it to fulfil its mandate. For example, in May 2022, the Auditor General submitted a paper on market pay factors to the PAC to lobby for increased salaries for audit staff. (criteria c and f).

Parliament approves the budget of OAG. Section 21 (b) of PMFA states “the Parliament shall review the plan and estimates and authorise the Cabinet to give effect to that plan” (criterion b).

The Auditor General confirmed in an interview that the SAI can freely move the approved budget amounts as they see fit although a formal request to the Ministry of Finance is required to move funds between pay and non-pay budgets. The Ministry of Finance has always granted the requests. Once the budget has been approved by Parliament, the Executive cannot amend the approved budget and the release of the funds to the SAI is done in a full and timely manner (criteria d and e).

It was confirmed in an interview with the Auditor General that OAG had no cases of undue interference from the Executive regarding the SAI’s budget proposal or access to financial resources in the past three years. This can be attributed in part to the safeguards introduced in the SAI’s legal framework, particularly Section 67 (2) of the PMFA (criterion g).

Dimension (3): Organisational Independence/Autonomy

OAG conducts its routine audit work with a high level of functional and organisational independence, supported by Section 114 (6) of the Constitution (criterion a). In an interview, the Auditor General confirmed that in practice, OAG is free from the direction or interference of any person or external authorities in the organisation and management of the Office (criterion b).

The Auditor General further confirmed that the Office has no limitations in determining its own rules and procedures for managing its business and fulfilling its mandate, although these should be aligned to comply with the rules and regulations that apply to the wider public service. For example, the SAI does not use the Cayman Islands Government (CIG) competency framework. The SAI uses its own competency framework which is based on the INTOSAI competency framework (criterion c).

Constrained only by budgetary frameworks approved by the legislature and some aspects of staffing such as determining the terms and conditions of service for staff, the Head of SAI is free to independently decide on all human resource matters. For example, during the period under review, the Office of the Auditor General recruited its own staff and submitted for PAC’s approval, requests to increase the salaries of audit staff (criterion d).

Section 87 (1) of the Constitution establishes the Public Accounts Committee of Parliament with power and responsibility to examine the public accounts of the Cayman Islands. Section 66 (1) of PMFA states that “The Auditor General shall be accountable to the Parliament for the performance of the Audit Office”. The relationship between the Audit Office, the Legislature and the Executive is further outlined in Section 67 of PMFA. Section 114 (6) of the Constitution highlights the appointment of the Auditor General by the Governor as well as reporting arrangements (criterion e).

The legal framework provides for accountability and transparency of the Office of the Auditor General through the PMFA Sections 66 (2), 69 (1) and (2). Section 66 (2) states that “The Auditor General shall be accountable to the Parliament for the performance of the Audit Office” while Section 69 (1) and (2) require the Audit Office to prepare an annual report on its activities and that the statement of outputs delivered and the annual financial statements of the Audit Office shall be audited by an entity or individual who is independent of the Auditor General (criterion f).

SAI Cayman Islands is entitled to call on and pay for external expertise as necessary. According to Section 65 (1) of PMFA, “the Auditor General may engage a person under contract to carry out, or assist in the carrying out of, any audit or investigation that the Auditor General is required to or may carry out” Section 65 (2) to (4) provides further considerations for the appointment of contractors to carry out audit assignments on behalf of the Auditor General (criterion g).

Dimension (4): Independence of the Head of the SAI and its members

Sections 114 (1) - (2) and Section 59 of the Constitution specify the conditions for appointment, reappointment and removal of the Head of SAI. Further guidance is provided in Section 26, 35 and 38 of the PMFA. Section 114 (1) of the Constitution states in part, that “the power to make appointments to the office of Auditor General, and to remove or exercise disciplinary control over any person holding or acting in that office, is vested in the Governor, acting in his or her discretion”.

Although the legal framework adequately covers the appointment, reappointment and removal of the Auditor General, the process of appointment does not appear to ensure the independence of the Auditor General. For example, Parliament is not involved in the appointment process as is the practice for many SAIs of the Westminster model. However, this status is explained by the context of the Cayman Islands as a UK Overseas Territory (UKOT) where the Governor is above Parliament. In addition, the Constitution does not include a fixed term of office for the Auditor General.

In an interview with SAI management, the assessment team established that the current Auditor General was appointed for a term of 6 years, constituting a 3 year term renewable for another three years. An external auditor with public sector audit experience from the UK National Audit Office, an audit partner from a private audit firm, a lawyer and a CIG Human Resource expert were part of the interviewing panel and their input fed into the decision of the Governor. In the opinion of the assessment team, the 6 year term is sufficiently long to allow the Auditor General to carry out her mandate without fear of retaliation although the decision to structure the contract in this manner is entirely at the discretion of the Governor. (criteria a, b and d).

The Head of SAI is immune to any prosecution for any act that results from the normal discharge of her duties. Section 114 (6) of the Constitution states "In the exercise of his or her functions, the Auditor General (and any person acting on his or her behalf in the exercise of those functions) shall not be subject to the direction or control of any other person or authority, save that the Auditor General is answerable to the Public Accounts Committee of Parliament and must attend upon the Committee at its request" (criterion c).

The existing rules for appointing or reappointing the Auditor General do not appear to support a transparent process that ensures his or her independence. For example, Parliament is not involved in the appointment or re-appointment of the Auditor General, although this is more to do with the context of the Cayman Islands as a UKOT. Section 59 of the Constitution states that “if in the opinion of the Governor, the Auditor General is unable to perform the duties of that person’s office during any period for any reason, the Governor shall appoint another person to act as the Auditor General during that period”. Further, under Section 35 of the Public Service Management Act, the appointment of the Auditor General is the responsibility of the Governor. The Head of the Civil Service is responsible, under Section 26 of the Public Service Management Act, for appointing Chief Officers of Ministries and Portfolios except for the appointment of the Auditor General where he or she has no role to play. Since the Auditor General has been in Office for more than 6 years, there is no record of the Auditor General

having been removed from Office through an unlawful act or in a way that compromised the SAI's independence (criterion e and f).

Section 63 (a) (ii) of the PMFA requires that all audits and investigations carried out by a person on behalf of the Auditor General are carried out in accordance with the International Standards on Auditing (ISAs). ISAs require auditors to uphold high ethical values such as integrity and objectivity in conducting their duties. Section 63 (b) of the PMFA explicitly states that "The Auditor General shall ensure that the persons carrying out such an audit or investigation are independent of the entity being audited or investigated" (criterion g).

4.1.2 SAI-2: Mandate of the SAI - Score 4

SAI-2 aims to assess the breadth of the SAI's mandate in terms of the scope and nature of the duties and responsibilities of the Head of SAI as well as the SAI's ability to access all information it requires to fulfil its functions and its right and obligation to report. The indicator has three dimensions:

- (1) Sufficiently Broad Mandate.**
- (2) Access to Information.**
- (3) Right and Obligation to Report.**

The assessment of SAI-2 is mainly based on a review of the legal framework governing the establishment and operations of OAG.

Indicator Summary

The OAG has a sufficiently broad audit mandate conferred by Section 114 (3) of the Constitution. The Office is mandated to audit all public financial operations of government institutions, Statutory Authorities and Government Companies and any other public authorities, offices and departments.

The OAG interprets the legal framework to mean it has the mandate to conduct all the three types of audits as defined by the ISSAIs - financial, performance and compliance audit. However, whereas the legal framework explicitly identifies the mandate to conduct financial and performance audits, it is silent on compliance audit save for an outdated reference in section 60(2) of the PMFA. This finding is supported by the conclusion of a legal opinion obtained by the Auditor General on the matter, which states "there is no express mandate for the Auditor General to perform compliance audits beyond the instances specified in section 60(2) – (4) of the PMFA". The legal opinion further concludes that from a legal perspective however, there is a plausible argument to support the Auditor General in initiating compliance audits outside the instances in section 60(2)-(4) of the PMFA.

To address the ambiguity in the legal framework regarding the Auditor General's mandate to conduct compliance audits, the assessment team is in agreement with the recommendation of the legal opinion, which states "notwithstanding the conclusion in the preceding paragraph, the legislative framework for the Auditor General in the Cayman Islands would benefit from clarification to expressly affirm that the Auditor General is generally empowered to initiate and conduct compliance audits, together with any other relevant provisions required to guide and inform this important practice".

Although the OAG interprets the legal framework to mean that it has the mandate to conduct compliance audits, a position supported by the legal opinion, the SAI does not include compliance audit in its routine audit practice. The Cayman Islands is a mature jurisdiction with developed

systems of governance and as such, SAI leadership sees little value in conducting stand-alone compliance audits. However, compliance testing is an integral part of planning, conducting and reporting on financial and performance audits.

The OAG has unrestricted right of access to information and is empowered by the Constitution to report its findings annually and independently to Parliament.

Dimension (1): Sufficiently Broad Mandate

The Office of the Auditor General of the Cayman Islands is responsible for auditing all public financial operations of the Cayman Island Government. Section 114 (3) of the Constitution states that "the Auditor General shall have the power and responsibility to audit the public accounts of the Cayman Islands and the accounts and financial dealings of all authorities, offices and departments of Government and of all courts, and the power to undertake value for money investigations in respect of the activities of such authorities, offices and departments." This provision is supplemented by Section 60 of the PMFA which outlines the powers and duties of the Auditor General (criteria a and c).

The Auditor General of the Cayman Islands is free from the direction and interference of any person or authority in carrying out his or her mandate. Section 114 (6) of the Constitution states "in the exercise of his or her functions, the Auditor General (and any person acting on his or her behalf in the exercise of those functions) shall not be subject to the direction or control of any other person or authority, save that the Auditor General is answerable to the Public Accounts Committee of the Parliament and must attend upon the Committee at its request" (criterion d).

Supported by Section 114 (6) of the Constitution and Section 60 of the PMFA, the Auditor General confirmed that OAG has no record of taking any tasks that would compromise the independence of the SAI in carrying out its mandate. In addition, there are no cases of interference in the SAI's selection of audit clients or subjects in a way that would compromise the independence of the SAI (criteria e and f).

OAG is empowered to conduct financial and performance audits under Section 114 (3) of the Constitution and Section 60 (1) of the PMFA. Section 114 (3) of the Constitution states that "the Auditor General shall have the power and responsibility to audit the public accounts of the Cayman Islands and the accounts and financial dealings of all authorities, offices and departments of Government and of all courts, and the power to undertake value for money investigations in respect of the activities of such authorities, offices and departments" (criteria h and i).

Section 114 (3) of the Constitution does not explicitly provide for the Auditor General's mandate to conduct compliance audits. Section 60 (2) and (4) of the PMFA refers to circumstances under which the Auditor General can conduct a compliance audit. However, this provision appears obsolete as the compliance audit referred to is specifically in connection to audits conducted in the financial years 2004/5 to 2007/8. Based on this finding, the assessment team concludes that neither the Constitution nor the PMFA explicitly provide for the Auditor General's mandate to conduct compliance audit. However, the Auditor General interprets the legal framework to mean that the SAI is mandated to conduct compliance audit, a position that is supported by an independent legal opinion on the matter. In practice, however, OAG does not conduct stand-alone compliance audit save for the elements of compliance that are covered as part of financial and performance audits. The Auditor General Act currently being drafted offers a good opportunity to clarify this matter (criterion g).

Dimension (2): Access to Information

In carrying out its mandate, the legal framework provides OAG with unrestricted right of access to records, documents and information. Section 114 (4) of the Constitution states that “The Auditor General, and any person authorised by him or her to act on his or her behalf, shall have access to all books, records, reports and other documents relating to the accounts referred to in subsection (3)” (criterion a).

The SAI has the right to decide which information it needs for its audits in line with Section 114 (6) of the Constitution which states that the Auditor General shall not be subject to the direction or control of any other person or authority in the conduct of his or her duties (criterion b).

In case the access to information required for an audit is restricted or denied, the remedy for the Auditor General is provided for under Section 64 (4) of the PMFA which states “where a person fails to comply with a direction given under subsection (3) within three days from the date of the direction or such longer period as the Auditor General may permit, the Auditor General may apply to a court of summary jurisdiction for an order requiring the person to comply with the requirement or direction. Section 114 (4) is an alternative remedy for the Auditor General (criterion c).

As provided under Section 114 (4), SAI staff have the right of access to the premises of audited bodies in conducting their routine audit work. Section 64 (1) (a) of PMFA is even more explicit by stating that “the Auditor General or any person authorised by that person for that purpose has the right of access to all information held by any public officer or employee of a statutory authority or government company. Section 64 (2) (a) provides further details (criterion e).

Dimension (3) Right and Obligation to Report

OAG is empowered to independently report its audit findings to Parliament. Section 114 (7) of the Constitution states that “The Auditor General shall submit reports on his or her activities to the Public Accounts Committee of Parliament at least twice every year and as requested by the Committee” (criterion a).

Section 77 (3) of the Parliament Standing Orders states that “upon its receipt by the Speaker, a report submitted by the Auditor General shall be deemed to have been referred by the House to the Public Accounts Committee for consideration and shall forthwith be distributed to all Members and shall become a public document”. This provision covers the OAG’s right to publish its audit reports. The Auditor General writes to the Speaker of Parliament when submitting an audit report and notifies about its publication (criterion b).

Section 61 b (i) and (ii) of the PMFA, empowers the SAI to report on particularly important and significant findings during the financial year under review. Section 61 b (i) and (ii) states that the Auditor General shall prepare and present to legislature matters that he or she wishes to bring to the attention of Parliament and a report on each investigation requested by Parliament or any of its Committees (criterion c).

OAG is free to determine the content of its audit reports as per Section 58 (1) of the PMFA and Section 114 (6) of the Constitution which state that the Auditor General is not under the direction or control of any person or authority in the exercise of his or her functions (criterion d).

The timing of the General report produced by the OAG is specified in Section 61 (b) (i) of the PMFA which requires the Auditor General to present to Parliament “at least one General report in each financial year on the results of audits and on matters the Auditor General wishes to bring to the attention of Parliament”. (criterion e).

In an interview, the Auditor General stated that while there have been occasional disagreements on the content of her audit reports, there were no circumstances where she had not determined the content of her audit reports. Similarly, there have been occasional discussions about the timing of publication of some reports given sensitivities, but there have been no circumstances where the Auditor General could not determine the timing of publishing her audit reports (criterion f and g).

4.2 Domain B: Internal Governance and Ethics

Domain B seeks to assess whether the SAI is managing its own affairs effectively and through good governance setting an appropriate example to others. Domain B has five indicators.

Domain B: Internal Governance and Ethics		Dimensions				Overall score
Indicator	Name	1	2	3	4	
SAI-3	Strategic Planning Cycle	3	3	3	2	3
SAI-4	Organisational Control Environment	4	2	4	0	2
SAI-5	Outsourced Audits	4	4	1		3
SAI-6	Leadership and Internal Communication	4	3			3
SAI-7	Overall Audit Planning	4	4			4

4.2.1 SAI-3: Strategic Planning Cycle – Score 3

Narrative

Strategic planning is a vital component of any SAI as a way of ensuring that the organisation has a clear direction and vision and a properly thought-out plan to deliver it. SAI 3 stresses the importance to a SAI of having a Strategic Planning process to ensure that vision can be transformed into reality in a coherent and logical manner. Strategic Plans need to be supplemented with Annual Operational Plans that will transform Strategic visions and aspirations into operational and institutional reality.

This indicator has four-dimensions:

- (1) **Content of the Strategic Plan.**
- (2) **Content of the Annual/Operational Plan.**
- (3) **Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan).**
- (4) **Monitoring and Performance Reporting.**

The assessment is mainly based on the review of the strategic plan 2019-2023, the operational plan 2021, annual report 2021 and the resource plan 2021 of the OAG.

Indicator summary

The OAG developed a strategic plan for 2019 to 2023 based on the OAG’s needs and in line with the SAI strategic management framework. The development of the plan was led by the Corporate Management Team (CMT) and involved consultations with all staff and consultations with external stakeholders such as audit clients and the Public Accounts Committee. The strategic plan is complemented by an annual operational plan, which is linked to the priorities and objectives and specifies the activities to be undertaken to achieve the objectives. It also includes a risk monitoring framework. The operational plan is further complemented by the annual resource plan, which facilitates budgeting and resource allocation to planned activities.

The OAG reports annually on its performance in the areas of audit, the organisation, staffing and financial resources including a summary of performance against the strategic priority areas in the strategic plan.

Despite clear strategic priorities within the strategic plan, there was no focus on strengthening the OAG's independence, which although strong, can be further strengthened especially with the development of a new audit act. In developing the plan, the OAG's stakeholder consultations did not involve the citizens, which could have added more value to the process. Despite this, the OAG has developed good external feedback mechanisms with the citizenry through following up the engagement on the OAG's social media platforms such as facebook. The OAG also sends out surveys to the Public Accounts Committee and to audit clients to obtain feedback on the audit process.

Dimension (1): Content of the Strategic Plan

The strategic plan 2019 to 2023 is based on a needs assessment that was conducted through office wide and CMT (corporate Management Team) sessions in which strategy discussions were held and the previous plan was reviewed, and gaps identified for implementation in the new plan. The assessment included all aspects of the SAI's activities from audit, organisational processes, stakeholder engagement etc. (Criterion a)

The strategic plan incorporates a logical framework with a vision, mission, four over-arching strategic priority areas and objectives within the strategic priorities, which will guide the implementation of the strategy. The strategic objectives are inter-related and align with the vision, mission and values. (Criterion b)

The strategic plan further lays out success indicators for measuring each strategic objective. For example, the strategic objective of timely conduct of high quality, evidence-based and relevant audits is measured by delivery of all audits to plan, delivery of more performance audits in real-time etc. (Criterion c)

The strategic plan is complemented by an operational planning matrix, which is linked to the priorities and objectives and specifies the activities to be undertaken to achieve the objectives and monitors the risks that could affect implementation of the plan. (Criterion d).

The plan also incorporates the needs of stakeholders through strategic priority area 2, which focusses on demonstrating relevance by being responsive to the views and expectations of different stakeholders. (Criterion e).

In developing the strategic plan, SAI management explained that whereas informal consultations were made with stakeholders, a standard PESTEL or SWOT analysis was not undertaken. This would have enabled the SAI to better assess the institutional framework, especially the country governance, political economy, country Public Financial Management (PFM) systems etc. (Criterion f).

The strategic plan also did not prioritise the SAI's independence or legal framework, which although strong, can be further strengthened. For example, the development of the new audit act, which was not mentioned, could have been a key objective within the plan. (Criterion g). However, SAI Management clarified that the development of a new Audit Act has been included in the OAG's risk register for a number of years. For the strategic period 2019 – 2023, SAI Management did not consider institutional strengthening to be a priority, hence its non-inclusion in the Strategic Plan 2019 – 2023.

Dimension (2): Content of Annual/Operational Plan

The OAG developed an operational plan for 2021, which clearly defines the activities, timelines and responsibilities under each objective within each strategic priority as laid out in the strategic plan.

(Criterion a). The annual operational plan is developed in line with the strategic plan and hence covers all the OAG's main support services. (Criterion b and c).

The operational plan identifies the resources required for each activity and the OAG prepares a separate resource plan that is linked to the operational plan. Through the resource plan, costs are allocated to each of the main activities to be undertaken within the period. (Criterion d).

Whereas the plan contains an assessment of the risks for each activity under each strategic objective, the risk assessment was not consistently undertaken for all activities. (Criterion e).

The plan contains measurable success indicators for each activity, which are monitored on a quarterly basis with explanations and evidence for the status as at that period. (Criterion f).

The plan also includes the performance from the previous monitoring period (2020) and milestones for each of the success measures. (Criterion g).

Dimension (3): Organisational Planning Process (Development of Strategic Plan and Annual/Operational Plan)

According to the AG and DAGs, the process of developing the strategic plan involved strategy sessions both at the Corporate Management Team (CMT) and at office wide level involving all staff. Staff were engaged during the staff retreat to brainstorm on the OAG's strategic objectives. (Criterion a and b).

Whereas consultations were made with audit clients and the Public Accounts Committee during the development of the plan, no mechanisms were in place to involve the citizenry in the process. (Criterion c).

The approved strategic plan is publicly accessible on the OAG's website. A staff retreat is held where the organisational plans are discussed as part of the agenda. (Criterion d and e).

In terms of monitoring, the annual operational plan includes a performance monitoring framework that assesses the status of implementation of each activity on a quarterly basis. Explanations with clear evidence are provided to support the status as at each period. (Criterion f).

The CMT led by the AG has the main responsibility for developing the organisational plans. The CMT in their deliberations agree on responsibilities, actions and timetables for developing and monitoring organisational plans. (Criterion g).

The previous strategic plan was for the period 2015-2019 whereas the current plan is from 2019-2023 and as such, the OAG ensured continuity in strategic planning. (Criterion h).

The OAG has not formally evaluated the organisational planning process, which would have provided valuable inputs to the new strategic planning process. Management however indicated that results from the monitoring process of the current strategy and the current SAI PMF assessment will guide the development of the new strategy. (Criterion i).

Dimension (4): Monitoring and Performance Reporting

The OAG reports annually on its performance and the 2021 annual report comprehensively reported on the OAG's performance in the areas of audit, the organisation, staff and financial resources. It also contained a summary of performance against the strategic priority areas in the strategic plan. (Criterion a).

The strategic plan includes several performance indicators under each of the four strategic priority areas. In terms of measuring SAI performance, success measures for each strategic objective are embedded within the performance monitoring framework of the annual operational plan. The performance at year end then feeds into the overall performance reported in the annual report. (Criterion b).

Whereas the OAG designed indicators within the strategic plan to assess the value of work to clients through assessing positive client satisfaction survey results, no indicators were designed to assess the value of audit work to the Parliament and citizens. (Criterion c).

The OAG has developed good external feedback mechanisms with the citizenry through following up the engagement on the OAG's social media platforms such as facebook. The OAG also sends out surveys to the Public Accounts Committee and to audit clients. (Criterion d).

The OAG does not compile and publish statistics that measure the impact of audits such as savings and efficiency gains of government programs. The General report however mentioned a general improvement in financial reporting by the Government because of the OAG's audit work. The OAG's annual report also reports on non-financial impacts of the OAG's work. (Criterion e).

According to SAI Management, an assessment of the OAG's organisational integrity has previously been conducted by the SAI of Jamaica. The assessment was conducted using the Intosai tool for Self-Assessment of Integrity Management (IntoSAINT). However, there was no evidence indicating that the assessment results were publicly reported as required by INTOSAI-P 20. It is important to note, however, that this SAI PMF performance assessment has been conducted using the peer review approach and the Auditor General has decided to publish the assessment report. (Criterion f).

The OAG's audit methodology and standards are clearly described on the OAG's website and in the publicly issued audit reports. (Criterion g).

4.2.2 SAI-4: Organisational Control Environment - Score 2

Narrative

SAI 4 provides the principles and expectations for a SAI in terms of: ethical behaviour and standards; internal control within the SAI; quality control throughout the audit cycle, and quality assurance on selected completed audits to assess compliance with the auditing standards and audit manuals.

Well-developed arrangements for establishing, maintaining and developing these competencies are essential for a SAI to operate within an environment that results in audit outputs that can be relied upon by end-users.

This indicator has four-dimensions:

- (1) Internal Control Environment – Ethics, Integrity and Organisational Structure.**
- (2) System of Internal Control.**
- (3) Quality Control System.**
- (4) Quality Assurance System.**

The assessment of the OAG Cayman Islands is based on a review of the OAG's ethics and independence policy and procedures, risk management policy and strategy, risk register, organisational structure, job descriptions and minutes of CMT and PMT meetings.

Indicator summary

From the assessment, the OAG generally has strong internal control systems despite the lack of an internal audit department. The OAG has developed ethics and independence policy and procedures, which contain a description of criteria on integrity, independence, objectivity, confidentiality. Staff are also required to sign an ethics and independence compliance self-assessment form annually. An overall report on threats to independence and conflicts of interest is prepared by the AG as the ethics and compliance partner to be presented to the management team. The OAG also ensures that all third-party contractors comply with ethical requirements by including the requirement in all requests for proposals for provision of audit services.

The OAG has established an organisational structure and developed clear job descriptions for all positions within the structure including responsibilities and reporting lines. The OAG has developed a risk management policy and strategy and maintains a risk register, which is reviewed and updated quarterly by senior management during the Corporate Management Team (CMT) meetings.

To ensure quality in all its work, the OAG has a quality control system embedded within the electronic audit system (CaseWare) for different levels of review. The OAG has also developed a customised performance audit manual and is in the process of customising a financial audit manual. For non-audit work, the OAG has a set of policies such as the procurement policy, HR policy etc. to guide key organisational processes and ensure quality.

At the time of the assessment, the OAG had not yet developed or established a quality assurance system/framework and hence no quality assurance reviews of any audits have been undertaken. A quality assurance and IT manager has however been assigned with this responsibility, which according to the AG, will be prioritised by the OAG going forward.

The OAG has not developed a job rotation policy but according to management, staff are rotated every 5 years in line with the audit standards.

Dimension (1): Internal Control Environment – Ethics, Integrity and Organisational Structure

The OAG has developed Ethics and Independence Policy and Procedures (Code of Ethics), which contain a description of criteria on integrity, independence, objectivity, confidentiality etc. The policy and procedures are publicly available on the OAG website under the section of 'office policies and guidance' and are reviewed regularly with the latest review scheduled for December 2022. (Criterion a,b,c and f).

Management ensures that staff are continuously engaged on issues of ethics, integrity and independence during staff meetings and throughout audit engagements. Staff are also required to sign an ethics and independence compliance self-assessment form and an overall report on threats to independence and conflicts of interest is prepared by the AG as the ethics and compliance partner to be presented to the management team. The report identifies any threats or risks and mitigation measures necessary. On presentation of this report, the management team are required to review the contents and approve the mitigating actions identified. This approval is recorded through formal sign off by the AG and DAGs. A conflict of interests register for all staff and senior management declarations are available on the OAG's website. (Criterion d and g)

The OAG also ensures that all third-party contractors comply with ethical requirements by including the requirement in all requests for proposals for provision of audit services. Firms are required to include proof of compliance with the Cayman Islands Institute of Professional Accountants (CIIPA) professional staff requirements. (Criterion e)

The OAG has established an organisational structure and developed clear job descriptions for all positions within the structure including responsibilities and reporting lines. (Criteria h, l, j)

An IntoSAINT assessment was undertaken by SAI Jamaica to assess the OAG's vulnerability and resilience to integrity violations and the OAG's policy on ethics and independence was developed in line with the IntoSAINT framework. (Criterion k and l).

Dimension (2): System of Internal Control

The OAG has developed a risk management policy and strategy and maintains a risk register. The register is reviewed and updated quarterly by senior management during the Corporate Management Team (CMT) meetings. The risk management process is also reported on in the OAG's annual performance report. (Criterion a and c). Several internal control policies including the procurement policy, corporate credit card policy, travel and subsistence policy etc. are uploaded on the OAG's website and used by staff in the day-to-day operations of the OAG. (Criterion b). The annual report however does not contain a statement of internal control signed by the AG. (Criterion d)

The responsibility for establishment and maintenance of a system of internal controls is however referred to within the 'statement of responsibility for financial statements' in the OAG's financial statements. The internal control system is reviewed annually by the OAG's external auditors and reported on in the OAG's audit report. (Criterion e)

There is currently no internal audit unit in place at the OAG and management has assessed the cost versus benefit and concluded that having a unit is impractical considering the size of the OAG, which employs less than 25 staff. (Criteria f,g,h)

In terms of whistleblowing provisions, Sections 10 to 12 of the OAG's code of conduct and the Cayman Islands whistleblower's policy provide for staff to report suspected violations. (Criterion i)

The OAG has not developed a job rotation policy but according to management, staff are rotated every 5 years in line with the audit standards. (Criterion j)

Dimension (3): Quality Control System

In terms of ensuring quality in all its work, the OAG has a quality control system embedded within the electronic audit system (CaseWare) for different levels of review. The OAG has also developed a customised performance audit manual and is in the process of customising a financial audit manual. For non-audit work, the OAG has developed several policies such as the procurement policy, HR policy etc. to guide key organisational processes and ensure quality. (Criterion a).

The AG is involved in quality control review for audit files in CaseWare and approval processes for all critical non-audit work processes such as procurements, recruitments and other HR issues etc. The DAGs and managers are also involved in the quality control process for audits and are assigned roles in relation to HR management and other non-audit activities as per the policies in place and their job descriptions. (Criterion b and c).

The OAG has developed a risk management policy and a risk register to monitor risks across the organisation. To ensure that work is delivered to the desired quality, monthly Corporate Management Team (CMT) and Practice Management Team (PMT) meetings are held to ensure that resources are allocated based on availability and the OAG's priorities for the period. (Criterion d and e).

Dimension (4): Quality Assurance System

At the time of the assessment, the OAG had not yet developed or established a quality assurance system/framework and hence no quality assurance reviews of any audits have been undertaken.

A quality assurance and IT manager has however been assigned with this responsibility, which according to the AG, will be prioritised by the OAG going forward. (Criterion c)

Through this SAI PMF assessment, the OAG will obtain an independent review of the overall system of quality control. (Criterion h)

4.2.3 SAI-5: Outsourced Audits - Score 3

Narrative

SAI 5 provides the principles and expectations for a SAI in respect of outsourced audits: the basic requirements for the selection of those contracted to do audits on behalf of the AG; the quality control needed; and, the quality assurance standards to be applied.

The Auditor General of Cayman Islands has the mandate to outsource audits.

This indicator has three-dimensions:

- (1) Process for Selection of Contracted Auditor.**
- (2) Quality Control of Outsourced Audits.**
- (3) Quality Assurance of Outsourced Audits.**

The assessment of SAI-5 is mainly based on the policy document namely Request for Proposals for Provision of Financial Audit Services (RFP) and Section 65 of the PMFA which empowers the Auditor general to outsource some of his or her audit work.

Indicator Summary

The OAG Cayman Islands has established an efficient and effective system for selecting contracted auditors. The selection procedure ensures the contracted auditor has the necessary competence and capacity to undertake the assigned task. Additionally, the selection procedure guarantees that the contracted auditor has an appropriate understanding of the public sector environment in which the SAI operates as well as the work they are required to carry out.

A system to review the quality of outsourced audit work is in place. The SAI uses a risk-based approach to assess whether the contracted auditor implements complete and effective quality control procedures in their work. The quality control procedures are aimed at ensuring quality and compliance with applicable standards.

However, the OAG Cayman Islands does not have in place, a system for monitoring the system of quality control of outsourced audits (quality assurance). To address this gap, the SAI has recently established a quality assurance function within the SAI. The Quality Assurance and IT Manager will

be responsible for conducting quality assurance engagements, including for outsourced audit work. Currently, the OAG Cayman Islands is in the process of developing a quality assurance policy. The policy will be the basis for conducting quality assurance engagements in the SAI.

Dimension (1): Process for Selection of Contracted Auditor.

The OAG has an established system for selecting contracted auditors. The RFP sets out the information requested by the AG to prove that a vendor has the minimum level of technical skills, experience, certification, or qualification necessary to provide the deliverables to the required standard. The bids received are evaluated by a panel including members of the OAG procurement committee. The entire process is overseen by the Public Procurement Committee (criterion a).

The technical requirements section of the RFP includes a requirement for the contracted firm to provide proof of compliance with CIIPA professional staff requirements. CIIPA professional staff requirements also prescribe adherence to the IESBA Code of Ethics (criterion b). The file review section of the RFP Appendix E covers the confidentiality expectation of contracted firms. The RFP further reiterates the requirement for contracted auditors to adhere to the IESBA Code of Ethics as it relates to maintaining the confidentiality of information. Additionally, the Procurement policy states that attention should be drawn to the implications of the Freedom of Information Act and the Data Protection Act (criterion d).

The OAG ensures that any firm contracted to carry out work for the SAI have an appropriate understanding of the public sector environment in which the SAI operates and a good understanding of the work they are required to carry out. In addition to the evidence in support of criterion (a) above, the RFP states that “it is anticipated that the prospective auditor will consider the wider public sector view by paying due regard to the requirements of both IPSAS on the accounting and ISSAIs on the auditing side when conducting the audit” (criterion c).

Firms that bid have their own rotation policy for all levels of staff, and in the SAI contract with the firm (appendix E of the RFP) the AG requires confirmation of the firm that steps have been taken to ensure the independence of staff assigned to the respective engagement (criterion e).

The RFP Appendix E requires that the manager and partner (and EQCR is applicable) of the contracted firm review the working papers as in a normal audit carried out by their firm before the audit file(s) are submitted to the OAG. Further, the Reliance Letter requires that the contracted auditor will carry out their work in accordance with the ISAs. In addition to noting the quality control expectations in the reliance letter/contract with the firm, the SAI conducts a review of the work carried out by the contracted firm and assesses if there is evidence of proper review and other elements of quality control. The findings of this review are summarized in a firm reliance questionnaire (criterion f and g).

Dimension (2): Quality Control of Outsourced Audits.

A summary review checklist is used by the OAG to check and verify that the contracted firm implements quality control procedures during the audit to ensure quality and compliance with applicable standards. The quality control summary review checklist is also used to ascertain that the outsourced audit is based on an assessment of risk to quality of outsourcing audit work and adequately responds to these risks (criteria a and b).

The RFP Appendix A states that “the prospective auditor will be engaged with the understanding that the responsibility for the overall opinion on the financial statements is vested with the Auditor General and, as such, all files and working papers pertinent to the audit will be made available for review by the Auditor General’s Office”. In the reliance letter, it is further indicated that the AG can take copies of the key working papers in his or her custody. These provisions ensure that all documentation in an audit conducted by a contracted firm is property of the OAG (criterion c).

The OAG has procedures for authorising reports produced by contracted firms. The reliance letter in the RFP requires the AG to provide written agreement with the draft audit report prior to it being submitted to the Board of Directors and Management for sign off of the financial statements. The approved financial statements are sent to the AG. The AG issues the audit report along with the financial statements to the auditee or renders her opinion (criterion d).

Dimension (3): Quality Assurance of Outsourced Audits

OAG has no functional quality assurance unit. However, the OAG Annual Report - 2021 acknowledges the creation of a new Manager post to focus on quality assurance and information technology. The SAI identified the development of a quality assurance framework as a priority for 2021 and has appointed a Manager to be responsible for conducting quality assurance reviews including overseeing quality assurance of outsourced audits.

All the criteria requirements under this dimension are not in place except for the allocation of the responsibility to monitor the functioning of the quality assurance system to an individual with sufficient and appropriate experience and authority in the SAI.

4.2.4 SAI-6: Leadership and Internal Communication - Score 3

SAI 6 seeks information on the leadership style of the SAI and how it communicates its decisions and requirements internally. Leadership style is important in all organisations to ensure that senior management establish the ‘tone at the top’ through setting personal standards of behaviour in, for example, ethical, personal, integrity and objectivity attributes.

All SAI personnel must be kept up to date on all developments affecting the SAI and these can be technical and non-technical information and guidance. In the absence of an effective communication strategy, the SAI runs the risk of important messages being missed by intended receivers with the result that expected actions or decisions are not delivered.

This indicator has two-dimensions:

- (1) Leadership.**
- (2) Internal Communications.**

The assessment of SAI-6 is mainly based on the minutes of the Corporate Management (CMT) and the Practice Management Team (PMT) meetings, OAG policies, internal memorandums and interviews with staff.

Indicator Summary

The leadership style in the OAG Cayman Islands is in conformity with the requirements of the relevant INTOSAI principles and international best practice. However, there are a few areas in the SAI’s organisational control environment that provide an opportunity for further improvement.

Currently, there is no internal audit function in the OAG. The Auditor General does not see the economic practicality of having an established internal audit function considering the size of the SAI. As an alternative, the OAG relies on external independent assessments of its operations as well as the annual audit conducted by an external audit firm which assesses the SAI's financial systems and internal controls. Although the requirements for a quality assurance function have been assessed as not in place, a Quality Assurance function has been established in the SAI. A policy to guide quality assurance engagements was being developed at the time of conducting this performance assessment.

Except for the absence of a documented policy on internal communication and a comprehensive system for monitoring its implementation, the internal communication within the OAG is well established.

Dimension (1): Leadership

The Leadership of OAG holds monthly Corporate Management Team meetings (CMT) and Practice Management Team meetings (PMT). Key decisions relating to the management the office affairs are made during these meetings. These decisions are communicated to staff by the AG mainly through email and verbally through staff meetings. Minutes of the CMT meetings are published on the SAI's website (criterion a and b).

The strategic plan, shared to all staff, identifies the OAG values as being: Professional, Respect, Integrity and Transparent. These values are displayed prominently in the Office. These are also published on the SAI's website and are highlighted in the SAI's Annual reports (criterion c).

The OAG has a system in place for delegating authority and holding managers accountable. The SAI's policies specify levels of empowerment at different levels of management. Goal setting and a review of these through annual performance appraisals enable accountability on the assigned tasks. An interview conducted with a staff member confirmed that SAI leadership has considered ways of incentivising better performance and that these have been implemented in practice, for example, rewards have been offered to staff who have passed a relevant qualification (criterion d and e).

There is sufficient evidence demonstrating that SAI Leadership has set a tone enabling accountability and strengthening the culture of internal control in OAG. SAI Leadership has put in place several policies and practices aimed at promoting accountability and effective internal controls. For example, the OAG is audited by external auditors, annual reporting on the management of its own affairs, code of ethics and code of conduct policy, risk management policy and strategy, fraud policy and response plan, organisational structure, staff declarations and a review of these, among others. However, the results from the assessment of Indicator SAI 4 dimension 2 under domain B – Internal Control, suggests that there is room for further improvement in monitoring internal controls. A key internal control that is not in place is the internal audit function. Considering the size of the SAI, the Auditor General holds the view that it may not be cost effective for the SAI to have a separate internal audit function (criterion f).

SAI Leadership has adequately demonstrated initiatives for building an ethical culture in the SAI. For example, the SAI has an Ethics and Independence policy and a Code of Ethics to ensure staff uphold high levels of ethical behaviour in carrying out their work. Priority 3 of the Strategic Plan 2019 – 2023 emphasises the need for OAG to lead by example in the management of its own affairs, proactively

demonstrating good governance, complying with international audit standards and good practices for public sector auditing as well as operating to the highest ethical standards. Accountability and transparency in decision making is ensured through the CMT and PMT meetings, periodic staff meetings and effective internal communication of key Management decisions (criterion g).

Dimension (2): Internal Communications

In practice, OAG has put in place mechanisms that guide internal communication in the SAI. However, the SAI does not have a documented policy on internal communication. The monitoring of the existing internal communication mechanism is done through the annual staff survey. The common tools used for internal communication are email, staff retreats, social media platforms such as Whatsapp staff meetings as well as management cascade (criterion a and d).

SAI Leadership communicates the SAI's mandate, vision, mission, core values and strategy to all staff through the Strategic Plan 2019 – 23. The Strategic Plan is circulated to all staff and is published on the SAI's website. Additionally, the SAI's vision, mission and core values are highlighted in the SAI's Annual Report – 2021, which is readily available to SAI staff. These messages are re-enforced by SAI Leadership through repeating of themes in various verbal and written messaging, for example, through the signage in the lobby of the Office (criterion b).

Interviews conducted with some staff confirmed a culture of consultation by SAI Leadership. This is done mainly through performance appraisals, staff welfare in general, updates on key developments that affect the SAI, work allocations, among others. Staff consultation is also done through meetings and emails sent by SAI Leadership to staff. Internal memorandums on CMT discussions are shared with staff. Regular and open interactions between management and staff is encouraged and done through staff retreats and meeting at various levels of management. SAI leadership follows up relevant matters with staff through email and in person. The regular and open interactions were confirmed by staff in an interview (criterion c and e).

OAG uses email and an Office WhatsApp group for communicating and sharing information. The SAI is exploring the use of Microsoft Teams as a platform for collaborating and sharing information (criterion f).

4.2.5 SAI-7: Overall Audit Planning. Score: 4

SAI 7 scrutinises the SAI's process of developing an overall audit plan and its content. The Overall Audit Plan defines the audits the SAI will conduct during a particular financial year and supports the SAI in fulfilling its mandate.

The key considerations include determining how the SAI prioritises the audits to be carried out and whether resources in terms of budget and workforce are available to undertake the work to the desired level of quality.

This indicator has two-dimensions:

- (1) Overall Audit/Control Planning Process.**
- (2) Overall Audit/Control Plan Content.**

The assessment of SAI-7 is mainly based on the legal framework, the performance audit framework and the annual resource plan.

Indicator Summary

The OAG has an efficient and effective audit planning process. The SAI has a documented process for developing and approving the annual overall audit plan. The audit planning process follows a risk-based methodology and ensures stakeholders' expectations and emerging risks are factored in the audit plan. The annual overall audit plan takes into account the expected budget and resources required to implement the planned activities. The objectives of the selected audit topics are clearly defined and a schedule of implementation is included. The audit plan also includes an assessment of risks and constraints to the delivery of the plan.

Dimension (1): Overall Audit/Control Planning Process

The process for developing the annual audit plan is set out in the Interim Launch document and the performance audit framework. OAG operates under two practices, financial audit and performance audit. Financial audit covers the audit mandate in the PMFA, namely the "audits required under the PMFA", which refers to financial audits required for each government entity (section 44, 52 and 31). The performance audit practice covers the "value for money audits" which are performance audits. Section 60 (1) (c) of the PMFA covers the mandate for performance audit (criteria a and b).

The audit planning process follows a risk-based methodology. In the selection of the performance audit topics or entities to be audited, the SAI considers factors such as the government's key priorities in the period under review, the level of spending, public interest, among other factors (criterion c). For financial audit, the OAG does not select entities to be audited as it is a requirement under the PMFA to audit all government bodies and institutions. The risk-based approach for financial audit, however, groups individual audits into High, Medium and Low risks.

Senior management and audit managers in the PMT are responsible for the overall planning and monitoring of audits. Each audit engagement is resourced and various planning and implementation duties are assigned to the audit project leader or lead auditor for each engagement. The engagement manager monitors the individual audits assigned to them. PMT monthly meetings are held to check on progress in the implementation of the annual audit plan. The minutes of PMT meetings and updates are accessible to all staff through the L Drive. However, any significant decisions are communicated to staff either by email or verbally through staff meetings. Most key decisions are made at the CMT (criteria d and e).

The annual resource plan sets out the resources required for each audit and allocates staff to conduct the audits. The resource plan is approved by the PMT and updated on a regular basis. The SAI also ensures that stakeholders' expectations and emerging risks are factored into the annual audit plan through consultations with PAC, the public and client surveys. Significant emerging matters are included in the Interim Launch document, as well as updates throughout the year. (criteria f and g).

Dimension (2): Overall Audit/Control Plan Content

The performance audit programme sets out the plan for performance audits to be conducted in the year ahead. Each performance audit includes the objective of the audit and the audit questions. The

Interim Launch document outlines the financial audits to be conducted during the year. The responsibility for each audit is indicated in the OAG Resource Plan (criteria a and b).

The Interim Launch document contains a snapshot of the financial audit plan, clearly indicating milestones for completing key stages of the audit cycle and the deadline for submitting the final audit reports. The performance audit programme also highlights the performance audits planned for the current and subsequent years (including those that are on-going). The audits are conducted in line with the audit mandate as set out in Section 114 (3) of the Constitution and the reporting requirements as set out in Section 61 (b) of the PMFA (criterion c).

The OAG Resource Plan specifies the necessary human resources required to conduct the planned audits. The financial resource requirements are managed separately through the CMT meetings where the expenses budget to actuals are monitored. There is a clear linkage between the budget and the OAG Resource Plan. For example, the decision to pay overtime is incorporated into the CMT financial analysis. The risks and constraints to the delivery of the annual audit plan are highlighted in the Interim Launch document although these relate only to financial audit (criteria d and e).

4.3 Domain C: Audit Quality and Reporting

Domain C aims to assess the quality as well as the outputs of the audit/control work that represents the core function of any SAI. Domain C comprises 13 indicators.

Domain C: Audit Quality and Reporting		Dimensions				Overall score
Indicator	Name	1	2	3	4	
SAI-8	Audit Coverage	2	4	NA	NA	3
SAI-9	Financial Audit Standards and Quality Management	4	4	4		4
SAI-10	Financial Audit Process	3	3	3		3
SAI-11	Financial Audit Results	3	4	4		4
SAI-12	Performance Audit Standards and Quality Management	4	1	3		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	4	4	4		4

4.3.1 SAI-8: Audit coverage – 3

Narrative

This indicator measures the audit coverage achieved by the SAI across the three main audit disciplines – financial, performance and compliance. This indicator has 4 dimensions:

- (1) Financial Audit Coverage.
- (2) Coverage, Selection and Objective of Performance Audit.
- (3) Coverage, Selection and Objective of Compliance Audit.
- (4) Coverage of Jurisdictional Control.

Indicator Summary

For the 2021 financial year, out of the total 49 public bodies (excluding EPS), 45 entity financial statements were received by the statutory deadline of 28th February 2022 and the OAG audited 33 (73%) by the statutory deadline of 30th April 2022. 12 audits were not completed within the required timeframe but by the time the general report was issued in October 2022, the OAG had audited 42 of the 49 public bodies (86%).

The OAG has effective processes for selecting performance audit topics which cover significant issues and that are likely to improve the conduct of Government operations and programmes. All the criteria assessing performance audit coverage are positively met although audit topics covering the sectors on the environment and national economic development have been planned for 2022-23. The sector on defence is not devolved to the Cayman Islands and as such, has not been considered in determining the audit coverage for performance audit.

Currently, the performance audit team is made up of the Deputy Auditor General in charge of performance audit and two part-time Performance Audit Managers. The part-time Performance Audit Managers are allocating 50% and 60% of their time to performance audits respectively. As

there is no dedicated performance audit team conducting performance audits on a full-time basis (except the Deputy Auditor General-Performance Audit), the existing 3 member performance audit team is supported by other audit staff who may be allocated to work on performance audits alongside their financial audit portfolio. The OAG has set priorities for performance audit based on the notion that economy, efficiency and effectiveness are audit objectives of equal importance to the legality and regularity of financial management and accounting although it appears there is room for improvement on resources allocated to conducting performance audits.

Dimension (1) Financial Audit Coverage

Section 60 (1) (c) requires the Auditor General on that person's own initiative or at the request of the Parliament or of any of its committees or subcommittees to conduct investigations and value for money audits into the financial management of any ministry, portfolio, statutory authority or government company or the office of the ombudsman.

The OAG's audit universe comprised 49 public bodies plus the entire public sector (EPS). The 49 bodies included 23 ministries, portfolios and offices, and 26 statutory authorities and general companies (SAGCs). Of these 2021 audits, 35 (including EPS) were conducted in-house whereas the remaining 15 were outsourced to private sector firms namely, Eisner Amper, KPMG, Grant Thornton and PricewaterhouseCoopers but subject to a final quality review by the OAG and sign off by the AG.

According to the 2021 General report, 45 entities submitted their financial statements by the statutory deadline of 28th Feb 2022. Of these, the OAG and its subcontracted firms audited financial statements for 33 entities by the statutory deadline of 30th April 2022. This is an audit coverage of 73%. This was mainly due to delays in submission of information by audit clients and delays in resolving cross-cutting issues by core government entities. These factors are not within the control of the OAG.

However, by the end of September 2022, the OAG had completed 43 of 49 audits (86%). The audit of 7 public bodies including the EPS for the 2021 financial year were on-going or backlogged at the time of the assessment. A further 4 audits for 2020, 2 audits for 2019, 2 audits for 2018 and 1 audit for 2016-17 are outstanding.

Dimension (2) Coverage, Selection and Objective of Performance Audit

According to Section 114 (3) of the Constitution and Section 60 of the PMFA, the OAG Cayman Islands has a mandate to conduct investigations into the economy, efficiency and effectiveness with which any ministry, portfolio, the Office of the Ombudsman, or any statutory authority or government company has used its resources in discharging its functions and in its financial dealings.

The OAG has a Performance Audit Team constituting 3 staff – the Deputy Audit General responsible for Performance Audit and 2 part time Performance Audit Managers. The 3 team members are qualified and have vast experience in conducting performance audits. Other staff are co-opted into the performance audit teams for specific audit assignments. In addition to annual audit plans for performance audit, a five-year rolling plan that identifies performance audits to be conducted is in place. The five-year rolling plan is also published. The audit topics are selected based on an analysis of potential topics and conducting research to identify risks and problems (criteria a and c).

The objectives of the reviewed sampled audits were to:

- evaluate the efficiency and effectiveness of the Health Services Authority's outpatient pharmacy services;
- assess the effectiveness of the Government of Cayman Islands at budgeting and financial management; and,
- assess the effectiveness of the Utility Regulation and Competition Office in its first three years of operation.

It is evident from the above that performance audit in the OAG Cayman Islands focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement (criterion b).

The PAC is consulted on the performance audit programme annually. In addition, the SAI obtains feedback and suggestions regarding its work through public consultations and client surveys. The Governor of the Cayman Islands has occasionally requested for particular performance audits to be conducted. For example, in 2021, the SAI was requested to carry out a performance audit on the ISWMS/Regen Public Private Partnership contract (criterion d).

The OAG Cayman Islands carries out an assessment to determine whether the selected audit topics are sufficiently significant and auditable. In the pre-scoping and audit scope working papers, the audit teams have demonstrated that materiality of the audit topics was considered, in terms of financial, political and social factors (criterion e and f).

The selection of audit topics considers the expected impact of the audit while taking into account the available audit capacities such as human resources and professional skills. In the Resource Plan, staff are allocated to the different projects planned for the year including the estimated time they will spend on each project (criterion g).

During the five-year period between 2018 and 2022, the OAG Cayman Islands issued 13 performance audit reports (excluding follow-up reports) that among them, covered seven of the ten sectors/topics listed at criterion (h), dimension (2) of indicator SAI-8, as follows:

Sectors/Topics of Performance Audits Published in the Last Five Years

S/n	Sector/Topic	Performance Audit(s) Conducted?
1	Education	Yes
2	Revenue Collection	Yes
3	Public Sector Reform Programme	Yes
4	Health	Yes
5	Public Finance and Public administration	Yes
6	Infrastructure	Yes
7	Social Security and Labour	Yes
8	Environment	No
9	National Economic Development	No
10	Defence	not devolved to the CIG

The performance audit programme for 2022/23 includes audit topics on the environment and national economic development (criterion h).

Dimension (3) Compliance Audit Coverage

The OAG does not conduct stand-alone compliance audits. Consequently, this dimension is assessed as not applicable.

Dimension (4) Coverage, of Jurisdictional Control

The OAG has no jurisdictional functions. Consequently, this dimension is assessed as not applicable.

4.3.2 SAI-9: Financial Audit Standards and Quality Management - Score 4

Narrative

This indicator assesses the SAI’s approach to financial auditing in terms of its overall standards and guidance, team management and skills and quality control. The indicator has 3 dimensions:

- (1) **Financial Audit Standards and Policies.**
- (2) **Financial Audit Team Management and Skills.**
- (3) **Quality Control in Financial Audit.**

The assessment of SAI 9 is based on the International Standards on Auditing (ISAs) that the SAI has adopted, the SAI’s current financial audit manual, a review of the CaseWare audit tool and working papers and presentations from the annual interim launch.

Indicator summary

The OAG has adopted the International Standards on Auditing (ISA) framework, which is consistent with the INTOSAI Standards for Supreme Audit Institutions (ISSAI) framework for financial audits. Although the OAG adopted the UK OT financial audit manual, a customised financial audit manual based on the ISA framework is currently being developed. The CaseWare audit system also incorporates the ISA framework into the audit methodology including all relevant working papers.

Through CaseWare, there are mechanisms in place to ensure that engagement teams possess the relevant skills and expertise to undertake allocated audit assignments. To strengthen staff competence, the OAG undertakes an ‘interim audit launch’ every year delivered by the Deputy Auditor General Financial Audit that discusses the annual audit plan, emerging matters within the country context and improvement of the audit process through a review of feedback from staff, clients and management. Importantly, the launch also focuses on IFRS and IPSAS updates and audit methodology.

To ensure that the audits comply with professional standards, quality control reviews are undertaken for each financial audit by the Audit Managers, DAGs and AG through the CaseWare audit system. Engagement quality control reviews are also undertaken for high-risk audits.

Dimension (1): Financial Audit Standards and Policies

The OAG has adopted the International Standards on Auditing (ISA) framework, which is consistent with the INTOSAI Standards for Supreme Audit Institutions (ISSAI) framework for financial audits. Although the OAG adopted the UK OT financial manual, a customised financial audit manual based on the ISA framework is currently being developed. Within the ISA framework, auditors can assess the acceptability of the financial reporting framework, undertake materiality assessments, risks of material misstatement at a financial statement level and through understanding the entity and develop appropriate responses to address the risks identified. The framework considers risks due to fraud, due to material non-compliance with laws and regulations and enables an auditor to form an opinion based on the audit evidence obtained. The ISA framework provides guidance for the audit of group or consolidated accounts and the need to obtain sufficient evidence regarding the financial information of the components and the consolidation process. Reference to ISA 700 (Revised)(Criterion a to r)

The CaseWare audit system incorporates the ISA framework into the audit methodology, which includes working papers on materiality based on the OAG’s policy (WP PD420), requirements for sufficient audit documentation and evidence, substantive and analytical procedures (WP CD203) etc. During the annual ‘interim audit launch’ sessions on audit methodology, accounting technical issues and standards updates are delivered to all staff to ensure that audit teams remain abreast with the relevant standards, policies and procedures. (Criterion s to v).

Assessment Findings and Observations

Dimension	Findings			Score
(1) Financial Audit Standards and Policies	Criteria	Met or Not Met	Reference to [include what type of evidence the assessment is based on]	4 All criteria are met
	a) “Before commencing a financial audit engagement the auditor should: assess the acceptability of the financial reporting framework of the audited entity; and ensure that the management	Met	ISA 210 Agreeing the terms of audit engagements	

	of the entity acknowledges and understands its responsibility.”			
	b) “When the objective is to provide <u>reasonable assurance</u> , the auditor should reduce audit risk to an acceptably low level given the circumstances of the audit.” <i>ISSAI 100:40</i> . “In general, reasonable assurance audits are designed to result in a conclusion expressed in a positive form (...).”	Met	ISA 200, Overall objectives of the independent auditor and the conduct of an audit in accordance with ISAs	
	c) “The auditor should apply the concept of <u>materiality</u> (...) when planning and performing the audit.” <i>ISSAI 200:33</i>	Met	ISA 320, Materiality in planning and performing an audit	
	d) “Auditors should prepare audit <u>documentation</u> that is sufficiently detailed to provide a clear understanding of the work performed, evidence obtained and conclusions reached.”	Met	ISA 230, Audit documentation	
	e) “It is essential that the audited entity be kept informed of all matters relating to the audit. (...) <u>Communication</u> should include obtaining information relevant to the audit and providing management and those charged with governance with timely observations and findings throughout the engagement.”	Met	ISA 260, Communication with those charged with governance	
	f) “The auditor should <u>reach a common understanding</u> with management or those charged with governance about the respective roles and responsibilities for each audit engagement.”	Met	ISA 210 Agreeing the terms of audit engagements	
	g) “ <u>Planning for a specific audit</u> includes strategic and operational aspect. Strategically, planning should define the audit scope, objectives and approach (...). Operationally, planning entails setting a timetable for the audit and defining the nature, timing and extent of the audit procedures.”	Met	ISA 300, Planning an audit of financial statements	
	h) “The auditor should <u>plan the audit</u> to ensure that it is conducted in an effective and efficient manner (...).”	Met	ISA 300, Planning an audit of financial statements	
	i) “The auditor should obtain (...) a sufficient <u>understanding of the audited entity</u> and the environment in which it operates (...).” <i>ISSAI 200:36</i> . Including internal control procedures that are relevant to the audit.	Met	ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	
	j) “The auditor should identify and <u>assess the risk of material misstatement</u> in the financial statements as a whole, and at assertion level, in order to determine the most appropriate audit procedures to address those risks.”	Met	ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	
	k) “The auditor should obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement,	Met	ISA 330, The Auditor’s	

	<p>by <u>designing and implementing appropriate responses</u> to those risks.” <i>ISSAI 200:41 (I.e. design further audit procedures whose nature, timing and extent take account of the risks of material misstatement at the assertion level. Such audit procedures usually include tests of control and substantive procedures (analytical procedures and/or tests of detail).</i></p>		Responses to Assessed Risks
	<p>l) The auditor should design and perform <u>substantive procedures</u> for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement.</p>	Met	ISA 330, The Auditor’s Responses to Assessed Risks
	<p>m) “As part of the identification and assessment of the risks of material misstatement, the auditor should consider whether <u>material misstatements could arise due to fraud</u>, and undertake appropriate responses to those risks.”</p>	Met	ISA 240, the Auditor’s responsibility relating to fraud in an audit of financial statements
	<p>n) “The auditor should identify the <u>risks of material misstatement due to non-compliance with laws and regulations</u>, and respond appropriately”. <i>ISSAI 200:49</i> and “The auditor should obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations having a direct effect on the determination of material amounts and disclosures in the financial statements.”</p>	Met	ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements
	<p>o) “The auditor should design and perform audit procedures in order to obtain <u>sufficient appropriate audit evidence</u> (in terms of quantity and quality) on which to base the audit conclusions and opinion.”</p>	Met	ISA 500, Audit evidence
	<p>p) “The auditor should <u>record misstatements</u> identified during the audit, bring them to the attention of management or those charged with governance”. <i>ISSAI 200:56 (I.e. The auditor should assess whether uncorrected misstatements are material, individually or in aggregate, to determine what effect they may have on the audit opinion).</i></p>	Met	ISA 260, Communication with those charged with governance
	<p>q) “Based on the audit evidence, the auditor should form an <u>opinion</u> as to whether the financial statements have been prepared in accordance with the applicable financial reporting framework”. <i>ISSAI 200:58.</i> The opinion should be expressed clearly through a written <u>report</u> that also describes the basis for that opinion.</p>	Met	ISA 700, Forming an Opinion and Reporting on Financial Statements
	<p>r) <i>Where relevant:</i> “Auditors engaged to audit <u>consolidated financial statements</u> should obtain sufficient appropriate</p>	Met	ISA 600, Special Considerations- Audits of Group

	audit evidence on the reliability of the financial information of the components and the consolidation process to express an opinion on whether the consolidated financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework.”		Financial Statements (Including the Work of Component Auditors)
	Include high level description of the evidence assessment of criteria s) – v) are based on.		
	Criteria	Met or Not Met	Reference to [include what type of evidence the assessment is based on]
	s) How to “(...) determine an overall level of <u>materiality</u> for the financial statements as a whole (...)” ISSAI 200:34 (...), the materiality level or levels to be applied to (...) particular classes of transactions, account balances or disclosures. ”Performance materiality should be used (...)” (Including assessment of materiality by value, nature and context)	Met	Current financial audit manual and CaseWare working papers
	t) Requirements on the auditor in relation to documentation in the following areas: the timely preparation of audit <u>documentation</u> ; the form, content and extent of audit documentation; (...) the assembly of the final audit file.	Met	Current financial audit manual and CaseWare working papers
	u) How to design and implement “(...) further audit procedures whose nature, timing and <u>extent</u> take account of the risks of material misstatement at the assertion level.” ISSAI 200:42. (If necessary including an approach to calculating minimum planned sample sizes in response to materiality and risk assessments, based on an underlying audit model).	Met	Current financial audit manual and CaseWare working papers
v) “When adopting or developing audit standards, SAIs also consider the necessity for requirements to obtain <u>sufficient and appropriate audit evidence</u> in relation to: <ul style="list-style-type: none"> I. The use of external confirmations as audit evidence II. Audit evidence when using analytical procedures and different audit sampling techniques III. Audit evidence when using the work of internal audit functions (...)” IV. Audit evidence when using external experts. 	Met	Current financial audit manual and CaseWare working papers	

Dimension (2): Financial Audit Team Management and Skills

The engagement acceptance/continuance working paper in CaseWare assesses and documents that the engagement team has an understanding and practical experience of similar engagements, understanding of professional standards and applicable legal requirements, technical expertise with relevant IT and specialised areas of accounting or auditing and knowledge of relevant industries. The working paper also assesses the understanding of the OAG's quality control procedures and applicable reporting arrangements. The working paper is reviewed by the audit manager and DAG to ensure that the team undertaking the engagement has the required skills and experience. From a review of the audit files and interviews with selected Audit Project Leaders (APLs) and Audit Managers, it is evident that staff have the relevant audit skills and competencies and an understanding of the OAG's quality control procedures. Through CaseWare, responsibilities for undertaking the audit and reporting/review lines are clearly allocated. APLs were also provided with an opportunity to operate as Acting Audit Manager alongside their substantive APL roles, which improves audit review and management capacity within the team. (Criterion a to h).

The OAG has currently adopted the UK OT financial audit manual but is in the process of customising its own manual. Every year, the OAG undertakes an 'interim audit launch' delivered by the Deputy Auditor General Financial Audit and attended by all audit staff that discusses the annual audit plan, emerging matters within the country context including emerging audit and legal technical issues. There are sessions on improving audits with a review of feedback from staff, clients and management and resolutions on how to improve the process. Importantly, the launch also focuses on IFRS and IPSAS updates including technical accounting matters and legal changes, to be considered in the audits. A session on audit methodology which focusses on sampling, materiality, analytical procedures, audit strategy, internal control environment etc and the components of a complete audit file is also included in the discussion. SAI audit staff also attend locally arranged IPSAS and IFRS trainings by the Cayman Islands Institute of Professional Accountants (CIIPA) and other bodies as part of continuous professional development. (Criterion I to l).

Dimension (3): Quality Control in Financial Audit

To ensure that the audits comply with professional standards, quality control reviews are undertaken for each financial audit by the audit managers, DAGs and AG through the CaseWare audit system. Engagement quality control reviews are also undertaken for high-risk audits. (Criterion a)

SAI management explained that in cases where difficult or contentious matters have been raised by clients during the audit, technical opinions have been sought through the UK Overseas territory (OT) group. (Criterion b). Within the OAG, any differences in technical opinion are usually discussed extensively and resolved before an audit report is issued (Criterion c).

The audit project leader (APL) completes a working paper, which concludes on the need for an engagement quality control review especially for high-risk audits. All issues raised from the review should be addressed by the APL before the report is issued. (Criterion d)

Through the CaseWare audit file review process, draft reports are reviewed by the different review levels and comments addressed by the APL before reports are issued. (Criterion e)

4.3.3 SAI-10: Financial Audit Process - Score 3

Narrative

SAI-10 examines how financial audits are carried out in practice. It consists of three dimensions:

- (1) **Planning Financial audits.**
- (2) **Implementing Financial audits.**
- (3) **Evaluating Audit Evidence, Concluding and Reporting in Financial Audits.**

The assessment of this indicator is based on a review of a sample of three audit files for year 2021 namely:

- I. Cayman Islands Health Services Authority
- II. Cayman Islands Ports Authority
- III. Ministry of Finance and Economic Development

The review covered a study of the audit working files in CaseWare and interviews with the Audit Project Leaders and respective supervisors.

Indicator summary

Generally, financial audits are conducted in line with audit standards from planning to evaluating evidence, concluding and reporting. The working papers within CaseWare are populated by the engagement teams and reviewed by the different review levels. Engagement teams are given flexibility to customise working papers depending on the auditee and required procedures.

Except for some instances where working papers or audit evidence was not attached to the audit file such as on understanding the entity and reliance on the work of internal audit, the financial audit process within the OAG is highly satisfactory. The development of a customised financial audit manual will further strengthen the audit process within the OAG.

Dimension (1): Planning Financial Audits

In planning financial audits, the OAG undertakes an assessment of the financial reporting framework for each audit entity through the relevant CaseWare working paper, which were completed for all the entities reviewed (criterion a). All core government entities in the Cayman Islands use the International Public Sector Accounting Standards (IPSAS) as the financial reporting framework, which has been assessed as acceptable. (Criterion a)

The audit teams assess the materiality during each audit using the materiality working papers in CaseWare. Both overall and performance materiality are assessed based on the guidance within the respective working paper (criterion b).

An audit engagement letter that clearly defines the scope and timing of the audit was issued to the respective auditees and signed by both parties in agreement of the terms of the engagement. The relevant working papers were attached in the CaseWare audit file (criterion c).

An overall audit strategy containing all the relevant planning information was completed for each auditee and attached in the CaseWare audit file (criterion d). For two of the audit files reviewed, the audit teams completed the understanding the entity working papers that include a description of the

entity, industry and regulatory factors, nature of the entity etc. One team however did not complete the relevant working paper in CaseWare (criterion e).

The audit teams undertook an evaluation of the overall internal control environment of the respective entities as per the working paper attached in CaseWare (criterion f). An understanding of the internal controls relevant to financial reporting was documented as per the Caseware working papers (criterion g). The audit teams also undertook an assessment of the risks of material misstatement at the financial statement level due to fraud and due to material non-compliance with laws and regulations as evidenced by the completed respective working papers in the CaseWare audit file (criterion h, i, j).

To ensure that auditors at the engagement level comply with ethical requirements, the working paper on engagement acceptance/continuance, which assesses ethical risks is completed by each team member. This was completed as evidenced in CaseWare (criterion k).

Dimension (2): Implementing Financial Audits

Following the risks identified at the planning level in the risk report working paper, the team designs audit procedures, which are performed for each audit component within the respective working paper as evidenced in CaseWare (criterion a). Regarding fraud, the audit team undertakes a fraud risk assessment for selected components for example revenue, which is documented in the relevant CaseWare working paper (criterion b).

To obtain sufficient appropriate evidence regarding compliance with laws and regulations, audit procedures were undertaken for example to assess compliance with procurement laws in the purchase of covid-19 supplies or in the assessment of compliance with laws in assessment of revenue. These procedures and evidence obtained were documented in the respective working papers. However, for one entity reviewed, there was not sufficient evidence of work done to arrive at the documented conclusions within the working papers in CaseWare (criterion c).

The audit teams undertake external confirmations especially for cash balances and legal confirmations where appropriate. This is documented in the relevant working papers. The audit teams also undertake analytical procedures and sampling for financial statement components, which include both a preliminary and final analytical review as per the CaseWare working papers (criterion d). Regarding evidence from the use of internal audit functions, audit teams prepare a memo on internal audit inquiry, which documents any work performed by the internal audit that will be relied on. For example, in one entity, the audit relied on the work of the internal audit service on testing controls on the patient revenue recognition process. In one entity however, no relevant working paper was completed on reliance on the work of internal audit (criterion d).

To obtain evidence from external experts, the audit teams relied on valuations of the Department of Lands and Survey and by independent valuers for the revaluation of properties. This was documented in the relevant working papers in CaseWare (criterion d). During the audit of the consolidated Entire Public Sector (EPS), sufficient evidence is obtained regarding all the components and the consolidation process, as per the working papers in CaseWare (criterion e). Based on the respective working papers in CaseWare, audit procedures have been performed and appropriate and relevant evidence to any exceptions raised has been documented (criterion f)

For the audit files reviewed, planned audit procedures were undertaken by the team and in cases where procedures were not performed, an explanation has been documented within the respective working paper in CaseWare (criterion g).

Dimension (3): Evaluating Audit Evidence, Concluding and Reporting in Financial Audits

For the audit files reviewed, most relevant audit documentation relating to key entity documents, risk assessment, audit strategy, audit procedures, reporting etc. are documented in the CaseWare audit file, which would enable follow through of the audit process by an experienced auditor (criterion a).

All relevant working papers that are designed in line with the ISAs are documented in CaseWare and document the audit process up to the conclusion and reporting stage (criterion b). All significant findings and misstatements are reported to those charged with governance through the ISA 260, which is documented in CaseWare (criterion c). Management responses to the audit issues raised are received by the OAG and documented in the ISA 260 (criterion d). The evaluation of uncorrected misstatements for materiality is performed in misstatements summary working paper as documented in CaseWare (criterion e).

For the audit files reviewed, unmodified opinions were issued based on the evaluation of the conclusions drawn from the audit evidence obtained. This was communicated through the Auditor General's report to the Board of Directors of the respective entities (criterion f). The Auditor General's report to those charged with governance contains a title, an addressee and an introductory paragraph that identifies whose financial statements have been audited, sections with the headings for 'management's responsibility for the financial statements', the 'Auditor's responsibility' and a section for the 'opinion'. The report contains the auditor's signature, the date on which the auditor obtained sufficient evidence and the location of the jurisdiction where the auditor practices. (Criterion g). The Audit report is easy to understand and free from any vagueness or ambiguity and all the issues raised were supported by evidence as per the CaseWare audit files (criterion h). The observations and any recommendations were clear and concise and directed to those charged with governance (criterion i).

4.3.4 SAI-11: Financial Audit Results - Score 4

Narrative

SAI-11 assesses the timely submission and publication of the results of the OAGs financial audit work and how such results are followed up. The indicator has 3 dimensions:

- (1) Timely submission of Financial Audit results.**
- (2) Timely publication of Financial Audit results.**
- (3) Follow-up on the Implementation of Financial Audit Observations and Recommendations**

The assessment of SAI 11 is based on a review of the Audit General report 2021 and correspondences with the PAC.

Indicator summary

In the review period, the OAG and its contracted firms completed audits for 66% of public bodies by the statutory deadline of 30th April 2022.

Whereas the law requires the AG to present to Parliament at least one general report in each financial year, it is silent on when the report should be submitted. The OAG hence endeavours to

submit one report annually usually in the second half of the year. Publication of the report is done immediately after submission to Parliament.

The OAG follows up the implementation of financial audit recommendations in the process of conducting annual audits where prior year matters are reviewed. The audit recommendations that have not been addressed by the audited entity are included in the current year's audit findings and reported accordingly. Since 2021, the PAC considers for witness hearings, only the financial audit reports (ISA 260) for the entities that have been qualified or where the AG has particular concerns. This approach was agreed between the OAG and the PAC due to a significant reduction in the number of qualified audits. Since 2021, the AG has included some high-level recommendations in the General Report that require action at the Government level to remedy some generic issues and weaknesses across the public sector.

Dimension (1): Timely Submission of Financial Audit Results

Section 44 (4) of the Public Management and Finance Act requires that the Auditor General shall, within two months after receiving the annual report (30th April) from each ministry or portfolio review it and express an opinion on the financial statements. According to section 44 (1), the annual reports should be submitted to Auditor General within two months after the end of each of financial year (by 28th February).

According to Section 41 of the General report 2021, the OAG and its contracted firms completed audits for 33 of the 49 (67%) public bodies audit by the statutory deadline of 30th April 2022 including the issuance of reports to those charged with governance. According to the General report 2021, this was an improvement on the past five years reporting periods except for 2020, when the OAG completed 34 of 42 (81%) of audits by the statutory deadline. (Criterion a)

The General Report was submitted to Parliament in October 2022 (8 months after the receipt of financial statements for audit), as per the legal requirement for the AG to submit at least one general report in each financial year on the results of financial audits conducted.

Dimension (2): Timely Publication of Financial Audit Results

There is no legally binding timeframe for publishing the financial audit report (General report) that have been submitted to the Parliament. Section 77(3) of the Parliament Standing Orders states that "Upon its receipt by the Speaker, a report mentioned in paragraph (1) shall be deemed to have been referred by the House to the Public Accounts Committee for consideration and shall forthwith be distributed to all Members and shall become a public document". Based on this provision and as a matter of choice by the Auditor General, the General Report is published within a few days after submission to the Parliament. Publication of the General report complies with international best practice which requires the financial audit report to be published within 15 days after submission to the Parliament. For example, the General report 2022 was published 3 days after submission to Parliament.

Dimension (3): Follow-up on the Implementation of Financial Audit Observations and Recommendations

Whereas historically the OAG has sent all entity ISA 260 reports to the PAC for their review, since the 2020 audit year (in 2021), the OAG has agreed with the PAC that only ISA 260 reports for entities that

have been qualified or where the OAG has particular concerns will be sent to PAC for review. The change in the approach was due to a significant reduction in the number of qualified opinions.

The OAG conducts client planning presentations at the commencement of financial audits, which include a follow up on implementation of prior year audit matters raised. If the recommendation has not been actioned, it will inform the audit strategy, be followed up again, and reported in the current year ISA 260 as a recurring issue. As indicated above, all ISA 260 reports on entities that received qualified opinions and with recurring unimplemented recommendations are submitted to the PAC for further follow up. However, ISA 260 reports on entities that receive clean opinions are also submitted to PAC for review if recommendations keep repeating. All ISA 260 reports are published on the OAG's website. A mechanism to follow up the implementation of PAC recommendations on financial audit is in place, however, the OAG has not conducted a follow up audit recently as Government Minutes responding to PAC reports have yet to be tabled. (Criterion a and b and d)

The OAG performs materiality assessments for each auditee during each new audit cycle and hence any follow ups that require additional audits or investigations will undergo materiality assessments based on the OAG's policy. (Criterion c)

Since 2021, the AG has included some high-level recommendations in the General Report that require action at the Government level to remedy some generic issues and weaknesses across the public sector. The General Report is tabled in Parliament, the PAC briefed and then holds hearings. The results of the OAG financial audits, including on the follow up measures taken with respect to audit and PAC recommendations are publicly reported through sharing the General report and the follow-up reports on the OAG's website (Criterion e and f)

4.3.5 SAI-12: Performance Audit Standards and Quality Management – Score 3

Narrative

This indicator assesses the SAI's approach to performance auditing in terms of its overall standards and guidance for performance auditing, as well as how matters of audit team management and skills and quality control are implemented at the audit engagement level. (The quality of these functions at the organisational level is assessed elsewhere in the framework: quality control in SAI-4; professional development and training in SAI-23.)

For the assessment of SAI-12, three dimensions are considered:

- (1) Performance Audit Standards and Policies.**
- (2) Performance Audit Team Management and Skills.**
- (3) Quality Control in Performance Audit.**

The assessment of SAI 12 is mainly based on the performance audit manual and a review of the sampled audit files.

Indicator Summary

The OAG performs well in its performance audit function especially considering the SAI is coming from a background where performance audits were conducted mainly by external consultants a few years ago.

The SAI has adopted an ISSAI-based performance audit methodology that complies with the international standards for performance audit in the public sector environment. The SAI also provides support to its auditors as required to implement the adopted audit standards and develop their professional skills. Specific guidance and support are provided on the implementation of key aspects of the audit methodology such as developing audit objectives, establishing suitable audit criteria, designing audit procedures for gathering sufficient and appropriate audit evidence, applying different data collection methods, among others. However, there is scope for improvement through greater consistency in the application of the assessment methodology, particularly in relation to the assessment of the risk of fraud, signing off working papers by reviewers and disclosure on how the audit criteria were developed and its sources. Further, a documented system to ensure audit teams collectively have the necessary professional competences to perform an assigned audit is not in place, although such considerations are taken into account in practice.

Dimension (1): Performance Audit Standards and Policies

OAG has adopted the ISSAIs as its authoritative audit standards for all its audit work including performance audit. The audit standards applied by the SAI are thus by definition in compliance with the ISSAI framework. The adopted audit methodology outlined in the Performance Audit Manual addresses the requirements of ISSAI 3000 – the international standard for performance auditing which applies to performance audits conducted by SAIs in the public sector environment.

The Performance Audit Manual of OAG positively meets all the criteria under this dimension as demonstrated in the table below. The content of the Performance Audit Manual is consistent with the requirements of ISSAI 3000. Accordingly, the Assessment Team concludes that the performance audit methodology in OAG is built on a strong and internationally recognised framework for conducting performance audits.

Assessment Findings and Observations

Dimension	Findings			Score
<p>(1) Performance Audit Standards and Policies</p>	<p>Criteria</p>	<p>Met or Not Met</p>	<p>Reference to [include what type of evidence the assessment is based on]</p>	<p>4 All criteria are met</p>
	<p>a. The need to identify the elements of each performance audit (auditor, responsible party, intended users, subject matter and criteria).</p>	<p>Met</p>	<p>Performance Audit Manual Section 1.44 to 1.50 Who are the three parties to a performance audit?</p>	
	<p>b. The need to “set a clearly-defined audit objective that relates to the principles of economy, efficiency and effectiveness.</p>	<p>Met</p>	<p>Performance Audit Manual Section 4.16 to 4.17</p>	
	<p>c. The need to choose an audit approach, to facilitate the soundness of the audit design.</p>	<p>Met</p>	<p>Performance Audit Manual Chapter 4 Section 4.12 to 4.15</p>	

	d. The need to “establish suitable [audit] criteria which correspond to the audit questions and are related to the principles of economy, efficiency and effectiveness.	Met	Performance Audit Manual Section 4.28 to 4.32
	e. The need to “actively manage audit risk, which is the risk of obtaining incorrect or incomplete conclusions, providing unbalanced information or failing to add value for users.	Met	Performance Audit Manual Section 2.59 to 2.66
	f. The need to “maintain effective and proper communication with the audited entities and relevant stakeholders throughout the audit process and define the content, process and recipients of communication for each audit.	Met	Performance Audit Manual Section 2.67 to 2.75
	g. The need for the audit team to “have the necessary professional competence to perform the audit.	Met	Performance Audit Manual Section 2.37 to 2.41
	h. The need to apply professional judgment and scepticism.	Met	Performance Audit Manual Section 2.32 to 2.36
	i. The need for auditors to “apply procedures to safeguard quality, ensuring that the applicable requirements are met	Met	Performance Audit Manual Chapter 2
	j. The need to “consider materiality at all stages of the audit process	Met	Performance Audit Manual Section 2.42 to 2.47
	k. The need to “document the audit (...)” so that “information [is] sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations	Met	Performance Audit Manual Section 2.48 to 2.54
	l. The need to “plan the audit in a manner that contributes to a high-quality audit that will be carried out in an economical, efficient, effective and timely manner and in accordance with the principles of good project management.	Met	Performance Audit Manual Section 4.2 to 4.4
	m. The need for auditors to “obtain sufficient appropriate audit evidence to establish findings, reach conclusions in response to	Met	Performance Audit Manual Section 5.5 to 5.9

	the audit objectives and questions and issue recommendations.” ISSAI 300:38		
	n. The need for auditors to “strive to provide audit reports which are comprehensive, convincing, timely, reader-friendly and balanced.” ISSAI 300:39	Met	Performance Audit Manual Section 7.6 to 7.14
	o. That the SAI shall “seek to make their reports widely accessible, in accordance with the mandate of the SAI.	Met	Performance Audit Manual Section 7.53 to 7.57
	p. That the SAI shall “seek to provide constructive recommendations” if relevant and allowed by the SAI’s mandate.	Met	Performance Audit Manual Section 6.35 to 6.39
	q. The need to “follow up previous audit findings and recommendations wherever appropriate.”	Met	Performance Audit Manual Section 8.12 to 8.17
	r. Audit planning, including selection of audit topics. The policies and procedures should be designed to ensure that auditors analyse and research potential audit topics, and consider the significance, auditability and impact of planned audits. They should allow for flexibility in the planning.	Met	Performance Audit Manual Section 3.6 to 3.8
	s. The analytical processes that enable the auditors to obtain sufficient appropriate audit evidence to establish findings and reach conclusions in response to the audit objectives and questions.	Met	Performance Audit Manual Section 6.21 to 6.27
	t. Format of the audit report, which should contain information about the audit objective, criteria, methodology, sources of data and audit findings, conclusions and recommendations.	Met	Performance Audit Manual Section 7.18 to 7.42
	u. Audit documentation: The policies and procedures should be designed to ensure that “information [is] sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit to subsequently determine what work was done in order to arrive at the audit findings, conclusions and recommendations.	Met	Performance Audit Manual Section 2.48 to 2.54

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Dimension (2): Performance Audit Team Management and Skills

The performance audit function in the OAG is headed by the Deputy Auditor General in charge of Performance Audit, who is assisted by two part-time Audit Managers. The part-time Audit Managers contribute 50% and 60% of their time on conducting performance audit work respectively. These three staff constitute the Performance Audit management team in the OAG. The PA management team are supported by other audit staff allocated to work on performance audits alongside their financial audit portfolio.

It should also be noted that 10 of the 15 audit staff in the OAG have previous experience of conducting performance audit. All staff in the OAG are expected to participate in conducting performance audits. On the positive side, the mentorship and coaching of staff with no performance audit background has significantly contributed to increasing the performance audit capacity in the SAI.

Notwithstanding the available performance audit expertise, the OAG has no documented system to demonstrate that the audit teams collectively possess the necessary professional competence to carry out individual performance audits. SAI Management acknowledges this omission but clarifies that this evaluation is in fact done in practice, although there is currently no supporting documentary evidence. The low score allocated to this dimension relates to all the criteria pointing to this requirement not being fulfilled due to lack of documentary evidence (criteria a – g).

The OAG provides support to its auditors as required to implement the adopted audit standards and develop their professional skills. This is done through the performance audit manual, induction course for new staff, mentorship and coaching, and professional development. Through these interventions, the auditors have acquired knowledge on several aspects of the performance audit methodology including formulation of audit objectives and questions, audit criteria, report writing and formulating effective audit recommendations. Additionally, the training, coaching and mentorship programmes focus on auditors acquiring knowledge about how to design audit procedures to be used for gathering sufficient and appropriate audit evidence, and how to apply different data gathering methods (Performance Audit Manual section 4.37 – 4.40) (criteria h – n).

The OAG has commenced the implementation of a plan to conduct targeted in-house training on specific topics that have proven to be a challenge in the performance audit process. For example, in October 2022, the OAG conducted a report writing training that heavily focused on performance audit reports.

Dimension (3): Quality Control in Performance Audit

The quality control procedure in the OAG involves three levels of review. The first level review is conducted by the performance audit manager, the second level review by the DAG – Performance Audit and the final review by the Auditor General. This process constitutes the procedure for authorising performance audit reports to be issued (criterion f).

A review of a sample of performance audit files indicates that overall, quality control procedures are applied at all stages of the review process. The quality control procedure, as seen in the audit tool CaseWare, demonstrates a clear flow of the quality control reviews that should be conducted by the

responsible managers at each stage of the review process. However, the assessment team observes a lack of consistency in the review process in that some working papers are not signed off as having been reviewed by the responsible manager. (criterion a).

The Performance Audit Manual²² highlights the principles that are necessary for conducting a quality performance audit and SAI Management has taken steps to ensure auditors uphold these principles (criterion b).

The Legal Framework²³ allows the Auditor General to contract subject matter experts to complement the skill set of audit teams where this is necessary. Hence, where difficult and contentious matters arise in the process of conducting a performance audit, the Auditor General can contract appropriate external technical experts to deal with such matters (criterion c).

Although this is not happening in practice currently, the quality control procedure as highlighted under section 7.45 of the Performance Audit Manual, requires that, prior to publication, an internal OAG Cayman Islands staff member, independent of the audit team, reviews the draft performance report to ensure all matters raised during the audit are satisfactorily resolved. This omission is mainly due to the absence of a quality assurance framework at the time this performance assessment was conducted. However, depending on the subject matter, performance audit experts from the UK National Audit Office have conducted an independent review of the draft performance reports prior to publication (criterion e).

Based on the findings from the sampled audit files, there were no instances of differences of opinion within the SAI, consequently criterion (d) is assessed as not applicable (criterion d).

4.3.6 SAI-13: Performance Audit Process - Score 3

Narrative

This indicator looks at how performance audits are carried out in practice. It assesses three dimensions:

- (1) Planning Performance Audits.**
- (2) Implementing Performance Audits.**
- (3) Reporting on Performance Audits.**

The assessment of SAI 13 is based on a review of three randomly sampled performance audits namely: (i) HSA Outpatient Pharmacy Services (ii) Improving Financial Accountability and Transparency - Financial Management and Reporting, and (iii) Utility Regulation and Competition Office (OfReg). All the sampled audits were completed during the financial year ending 31 December 2021.

The review covered a study of the complete audit working files and interviews with the audit teams who carried out the audits, the Audit Manager and the Deputy Auditor General responsible for performance audit.

²² Chapter 2 – What are the key principles of quality performance audits?

²³ Section 65 of the Public Management and Financial Act

Indicator Summary

Except for a few areas that require a consistent approach in applying the audit methodology, the planning, implementation and reporting of performance audits is done in compliance with the applicable international standards. The observed lack of consistency in applying the audit methodology relates to the assessment of the risk of fraud, evaluating the use of external experts and missing working papers particularly on the engagement budget and detailed timelines. Additionally, for all the reviewed audits, the final audit reports do not include information on how the audit criteria were developed and their sources.

Dimension (1): Planning Performance Audits

As required by ISSAI 300, a pre-study was conducted for two of the sampled performance audits. A pre-scoping appraisal, preliminary discussion meetings and budget process review were conducted to obtain audit specific knowledge before the audits were launched. A pre-study was not conducted for the audit of the Utility Regulation and Competition Office since this audit is a requirement by law (criterion a).

An analysis of potential audit topics is conducted and documented in a five-year rolling Performance Audit Programme. The Performance Audit Programme 2021 – 2025 summarises the performance audits targeted for execution in the next five years (criterion b).

Materiality considerations at all stages of the audit process were done in all the sampled audit files. The pre-scoping appraisal and the Audit Scope identified the following elements of materiality – nature of services provided, public interest, political interest, financial and fiscal sustainability of the Cayman Islands (criterion c).

The objectives of the sampled audits were to evaluate the efficiency and effectiveness of service delivery, to assess the effectiveness of the Government of Cayman Islands at budgeting and financial management and to assess the effectiveness of the Utility Regulation and Competition Office in its first three years of operation. It is therefore evident that the audit objectives in relation to the principles of economy, efficiency and effectiveness were clearly defined for all the sampled audits. The audit objectives were further broken down into more precise sub-questions (criteria d and e).

For all the sampled audit files, the audit scope working paper includes the selected audit approach – result, problem or system-oriented. Suitable audit criteria which correspond to the audit questions is also included in the audit scope working paper. In the email when the audit scope is sent to the audit client, the SAI requests Management of the audited entity to raise questions on the audit criteria for discussion, if they had any. (criteria f, g, and h).

The Record of Evidence and the Audit Scope working papers indicate the audit procedures used for gathering sufficient appropriate audit evidence. These procedures include interviews, review of documents, site visits, research, process walk through, among others. The Annual Register of Interest and the Annual Independence and Ethics Declaration Forms are filled in by all audit staff to ensure compliance with ethical requirements (criteria i and m).

Except for the audit of the Utility Regulation and Competition Office, the assessment of the risk of fraud was not documented at the audit planning stage. While effective planning is evident for two of the sampled audits, there is no engagement budget and timelines in the audit of Improving Financial

Accountability and Transparency. Although it was mentioned in an interview that the SAI conducts an evaluation to determine whether external expertise is required for a particular performance audit, there was no documentary evidence indicating this is done in practice (criteria j, k, and l).

The OAG has not conducted an independent assessment within the past three years to confirm whether the SAI's performance audit practice complies with all the requirements of ISSAI 3000. This finding applies to the assessment of dimensions (2) and (3).

Dimension (2): Implementing Performance Audits

The Record of Evidence (ROE) working paper demonstrates that the auditors have obtained sufficient appropriate evidence to establish findings, reach conclusions and issue recommendations. The ROE is used in all the sampled audits to logically document the audit evidence and procedures conducted to arrive at the audit findings and conclusions. In the section "what does the evidence tell us", the audit evidence is evaluated to arrive at specific audit findings. The documentation of the audit is sufficiently complete and detailed as evidenced by the comprehensive flow of information in the ROE working paper (criteria a, b, and k).

To arrive at the audit findings and conclusions, it is evident that the auditors have conducted an analysis that combines and compares data from different sources. The main sources of information for the sampled audit files are; interviews with key stakeholders, document review including applicable laws and regulations, site visits, observation and process walkthroughs and analysis of financial and performance information. Further, analytical processes such as gap analysis, alignment of strategic objectives and the legal framework, document review, analysis of budgets, political, legislative and policy commitments have been conducted (criteria c and f).

The use of professional judgment to reach conclusions is evident in the ROE working paper. Based on the evaluation of audit evidence conducted, the auditor draws conclusions addressing the main audit questions and sub-questions. The quality control conducted by audit managers at the various stages of the review process helps to keep the professional judgement applied by the auditors in check. This approach also ensures the audit evidence obtained is placed in context and that all relevant arguments and different perspectives have been considered before drawing any conclusions. A review of the final performance reports for all the sampled audits indicates an appreciable level of compliance with the requirements (criteria d and e).

The audit team considered the requirement to actively manage audit risk for all the sampled audits. The risk assessment matrix at the planning stage identifies the major risks that are monitored at all stages of the audit process. The audit team holds periodic meetings to review the status of the identified audit risks (criterion h).

A consideration of materiality was done at all stages of the audit process. As appropriate, the evaluation of materiality combined the political, social and financial perspectives (criterion i).

The audit teams maintain effective and proper communication with the audited entities throughout the audit process. The audit objective, audit questions and subject matter are communicated through the audit scope that is sent to the audited entity prior to commencement of the audit. During the audit, the emerging messages from the audit are discussed with the audited client. The audited client is provided an opportunity to provide feedback on the preliminary audit findings (criterion j).

All the criteria assessing the implementation of performance audits are fulfilled in exception of the additional requirement that the OAG should have conducted an independent assessment within the past three years which confirms that the SAI has complied with all requirements of the audit standards (in the ISSAI Framework - IFPP) relevant to this dimension. This requirement is not fulfilled due to the absence of a quality assurance function in the OAG at the time of conducting this performance assessment. A score of 3 has been allocated to this dimension due to this omission.

Dimension (3): Reporting on Performance Audits

A review of the sampled audits indicates that the auditors reported their findings on the economy and efficiency of the use of resources and the effectiveness with which objectives were met. In the audit of the HSA Outpatient Pharmacy Services, the examination of the procurement processes addresses value for money, the scrutiny of the internal supply chain addresses effectiveness and the examination of the outpatient services addresses efficiency in the use of resources. The audit on Improving Financial Accountability and Transparency focuses on the effectiveness of the Government at financial management and reporting. The audit of the Utility Regulation Competition Office focuses on the efficiency and effectiveness of service delivery (criterion a).

The final reports include findings that adequately address the objectives and audit questions. The assessment team observes that the final reports are sufficiently detailed to provide an understanding of the subject matter and findings and conclusions. The reports are logically structured and present a clear relationship between the audit objective, criteria, findings, conclusions and recommendations. This logical flow is guided by the systematic sequencing and analysis of information in the ROE working paper (criteria b and c).

The audited entity as well as other government institutions with a stake in the audited entity, are given an opportunity to comment on the draft report, including audit findings, conclusions and recommendations before the final report is issued. The audited entity provides feedback through meetings held with the audit team. The audit team analyses the feedback from the audited entity, obtains and examines additional audit evidence as needed; and if warranted, make appropriate changes to the draft report. Management responses to the recommendations are included as an Appendix in all the final reports. This two-way communication between the audit team and the audited entity forms the basis for addressing any biases in the report. Additionally, this approach ensures the report is balanced in content and tone. In the opinion of the team of assessors, the final reports are clear, concise and devoid of ambiguity. (criteria d, e, k, and l).

For all the sampled audits, materiality considerations aimed at managing the risk of producing inappropriate or low-impact audit findings or reports were undertaken. The three-level quality control was carried out although there is room for improvement on ensuring all audit reviews are documented at all stages of the review process. Occasionally, OAG has requested experts from the UK National Audit Office to independently review the draft reports before they are issued (criterion f).

The team of assessors observes that all the final reports for the sampled audits include conclusions that adequately address the audit objectives and questions. Additionally, the reports include recommendations that are likely to contribute to addressing the weaknesses and problems identified by the audit (criteria h and i).

The standards used for conducting the sampled audits are declared in the final audit reports submitted to the audited entity. The audits were conducted in accordance with the ISSAIs and the International Standards on Assurance Engagements (criterion j).

Although the audit criteria are included in all the sampled audits, there is no information on how the audit criteria were developed and their sources are not stated. This requirement is part of the audit methodology in the Performance Audit Manual for OAG Cayman Islands (criterion g).

4.3.7 SAI-14: Performance Audit Results - Score 4

Narrative

This indicator relates to performance audit outputs. It assesses three dimensions:

- (1) Timely Submission of Performance Audit Reports.**
- (2) Timely Publication of Performance Audit Reports.**
- (3) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations.**

The assessment of SAI 14 is mainly based on the legal framework, final reports of the sampled audits, follow up reports on implementation of audit recommendations and correspondence between the SAI and the Parliament.

Indicator Summary

There is no legally binding timeframe for submitting performance audit reports to the Parliament. The performance audit reports are submitted to the Parliament on the same day they are approved by the Auditor General. Publication of the performance audit reports is done within 7 days after submission to the Parliament. The OAG is not bound by any restriction to submit or publish performance audit reports. The submission and publication of performance audit reports is in accordance with international best practice.

The OAG has an effective system of follow-up on the implementation of performance audit observations and recommendations.

(1) Timely Submission of Performance Audit Reports.

Under Section 61 (b)(i)(II) of the PMFA, the Auditor General is required to present to the Parliament matters which that person wishes to bring to the attention of the Parliament. There is no legally defined or agreed timeframe for submitting performance audit reports to Parliament. The assessment of this dimension is therefore based on the international best practice.

As indicated in the table below, the performance audits completed in 2020 and 2021 were submitted to Parliament on the same day they were approved by the Auditor General, which resulted in assessing the OAG with a score of 4 in this dimension. International best practice requires performance audit reports to be submitted within 15 days of SAI approval.

Submission of Performance Audit Reports – 2020 and 2021

	Performance Audit Report	Date Report Signed by AG	Date Submitted to Parliament	Duration between Completion and Submission to Parliament (Days).
1.	HSA Outpatient Pharmacy Services	5.11.21	5.11.21	same day of approval
2.	Improving Financial Accountability and Transparency - Financial Management and Reporting,	13.05.21	13.05.21	same day of approval
3.	Utility Regulation and Competition Office (OfReg)	12.06.20	12.06.20	same day of approval

(2) Timely Publication of Performance Audit Reports.

There is no legally binding timeframe for publishing performance audit reports that have been submitted to the Parliament. Section 77(3) of the Parliament Standing Orders states that “Upon its receipt by the Speaker, a report mentioned in paragraph (1) shall be deemed to have been referred by the House to the Public Accounts Committee for consideration and shall forthwith be distributed to all Members and shall become a public document”. When a performance report is ready to be issued, the working practice of the OAG is to brief the PAC first and then publish the report the next day. However, if no PAC meeting is planned, the OAG will publish the report within 7 days of issuing to the Parliament and brief the PAC at the next available meeting.

As shown in table below, the performance audit reports produced in 2021 (including one report produced in 2020), were published by the OAG within a period ranging from 5 - 7 days after submission of the report to the Parliament.

OAG published its three performance audit reports in less than half the time required by international best practice on timely publication. International best practice requires performance audit reports to be published within 15 days after submission or tabling of the report in Parliament or any other appropriate authority.

Publication of Performance Audit Reports – 2020 and 2021

	Performance Audit Report	Date Submitted to Parliament	Date Published	Duration between Submission and Publication (Days).
1.	HSA Outpatient Pharmacy Services	5.11.21	16.11.21	7
2.	Improving Financial Accountability and Transparency - Financial Management and Reporting,	13.05.21	20.05.21	5
3.	Utility Regulation and Competition Office (OfReg)	12.06.20	23.06.20	7

(3) SAI Follow-up on Implementation of Performance Audit Observations and Recommendations.

The OAG has a system in place to follow up on the implementation of audit observations and recommendations for performance audit. The assessment team reviewed a follow up report on the implementation of past PAC recommendations – 2021, involving the following performance reports (i) Ensuring Quality Health Care and a Healthy Population – January 2017 and (ii) Government Programmes Supporting those in Need – May 2015 (criteria a).

The follow up on the implementation of audit recommendations focuses on whether the audited entites have adequately addressed the problems and remedied the underlying weaknesses. In the follow up report, the colour codes green, amber and red are used to denote fully addressed, considerable progress and limited progress respectively. The appendices to the report provide evidence of communication between the audited entity and the OAG regarding the status of each audit recommendation. The follow up report includes conclusions and impacts of all relevant corrective action although there is room for improvement on stating the impacts more explicitly (criteria b and c).

In Appendices 1 and 2 of the follow-up report, the audited entities have provided feedback through a Government minute on the corrective measures taken on each audit recommendation or why corrective action has not been taken (criterion d).

The follow-up report is submitted to the Parliament following the same procedure for other performance audit reports produced by the SAI – in accordance with Section 61 (b)(i)(II) of the PMFA and Section 77 (3) of the Parliament Standing Orders. The SAI can submit the follow-up report individually or as a consolidated report. The follow-up report reviewed by the assessment team is a consolidation of 2 performance audit reports produced in 2015 and 2017 respectively. The OAG previously reported its first follow-up of these two reports in October 2018 (criterion e and f).

The OAG has established a practice for evaluating materiality to determine if a follow-up requires a new additional audit. For example, a new additional audit is planned on procurement. Internal consultations are conducted to determine what can be followed up and any new additional audits are included in the Performance Audit programme. In the near future, the OAG plans to conduct a

new audit on governance in Statutory Authority and Government Companies, following up on a previous audit in 2017 and allowing time for new legislation to be fully implemented. (criterion g).

4.4 Domain D: Financial Management, Assets and Support Services

Domain D examines whether the SAI is managing its own operations economically, efficiently and effectively and complies with applicable rules and regulations. Domain D comprises a single indicator.

Domain D: Financial Management, Assets and Support Services		Dimensions			Overall score
Indicator	Name	1	2	3	
SAI-21	Financial Management, Assets and Support Services	4	4	4	4

4.4.1 SAI-21: Financial Management, Assets and Support Services - Score 4

Narrative

SAI-21 examines the SAI’s internal system of financial management and control, as well as its policies and practices regarding the support services and resources it requires. Those include IT, assets and infrastructure, as well as administrative support. This indicator has 3 dimensions:

- (1) Financial Management.**
- (2) Planning and Effective Use of Assets and Infrastructure.**
- (3) Administrative Support Services.**

The assessment of SAI 21 is based on a review of job descriptions, authorisation forms, procurement policy, the OAG’s integrated financial management system (IRIS), time recording system (TRS), budget performance reports, SAI’s audit report and IT plans and budgets.

Indicator summary

The Deputy Auditor General Corporate and International leads on areas of corporate office practice and financial management of the OAG and supervises the work of the Corporate Services Manager. The OAG is guided by internal office policies and the Government’s financial regulations in its financial management practices including the budgeting process and timelines. The OAG operates an integrated financial management system called IRIS, which is used across the Cayman Islands Government and includes all financial and performance information of the OAG whereas staff time is recorded through the Time Recording System.

In the last 3 years from 2019-2021, the OAG has spent within the approved budget and prepares financial statements annually, which are audited by an independent external audit firm. The OAG has consistently received unqualified opinions including in the last audit.

The OAG undertook an evaluation of its office space requirements in 2019 and signed a renewal of its 5-year lease for the current office space, which is sufficient to accommodate the small staff size. A Corporate IT budget was also prepared up to 2023 and is under the responsibility of the Quality assurance and IT manager, who possesses the appropriate skills and resources to undertake these tasks based on his qualifications and experience in the OAG.

The OAG has also in the last 5 years undertaken a review of the required administrative support functions and developed clear job descriptions for both the Corporate Service Manager and Administrative Assistant accordingly.

Dimension (1): Financial Management

The Deputy Auditor General Corporate and international leads on areas of corporate office practice and financial management of the OAG and supervises the work of the Corporate Services Manager. The Corporate Services Manager spends 50% of her time on accounting and financial matters and is mainly responsible for overseeing and in some cases undertaking all financial accounting transactions for the OAG, monthly reporting, budget management etc. Both the DAG and the manager have the appropriate skill set to manage these tasks. (Criterion a and d)

In terms of expenditure approvals, the OAG utilises a signing authorization form that sets the limits than can be incurred by members of the management team. The OAG procurement policy further outlines the process to be followed prior to any contracts/expenditure commitments. (Criterion b)

The OAG follows the Government's financial regulations and has its own office policies, which relate to financial transactions e.g., procurement policy, travel and subsistence, leave pay-outs, training cost, professional subscriptions, credit card transactions. These are all accessible on the OAG's website. (Criterion c)

The Government publishes guidance on the budgeting process and timelines, which also guides the OAG's procedures. (Criterion e)

The OAG uses an integrated financial management system called IRIS, which is used across the Cayman Islands Government and includes all financial and performance information of the OAG. The system is however administered by the Treasury Department in the Ministry of Finance. Authorised managers within the OAG to approve payments and purchase orders are clearly defined. Staff time is recorded through a Time Recording System (TRS). (Criterion f and g)

An analysis of the OAG's budget performance reports for the last 3 years indicated that the OAG has spent within the approved budget during the financial years 2019 and 2021, recording a net surplus of revenue over expenditure of 15% and 17% respectively. The surplus is due to revenues being higher than budgeted and personnel costs and operating costs being generally lower than budgeted. However, during the financial year 2020, the OAG recorded a net deficit, with actual expenditure exceeding total revenue (approved budget) by 3%²⁴. The deficit was due to revenues being lower than budgeted as a direct result of the COVID-19 pandemic (criterion h).

The OAG also prepares financial statements annually in accordance with International Public Sector Accounting Standards and are published as part of the 2021 annual report. The financial statements were audited by an independent external audit firm (Baker Tilly (Cayman) Ltd) in 2021. (Criterion h, i and j)

²⁴ Refer to the SAI budget for the period 2018 – 2021 under Chapter 3 (page 31) for details on revenue and expenditure that are the basis for the computation of the percentages in this paragraph. The 3% deficit (excess of expenditure over the approved budget) is within the allowable 10% under criterion 'h'.

In the 2021 audit report, the OAG was issued an unqualified opinion with no major recommendations as per the ISA 260 report provided. (Criterion k)

Dimension (2): Planning and effective use of assets and infrastructure

The OAG undertook an evaluation of its office space requirements in 2019 and signed a 5-year lease for the current office space, which is sufficient to accommodate the small staff size. A Corporate IT budget was also prepared up to 2023. (Criterion a and b) The IT corporate budget was based on an assessment of the expected needs up to this period. This included laptop and printer requirements, CaseWare licenses, MS 365 licenses and other relevant software licenses. (Criterion c)

The OAG has not faced any challenges with regards to its assets or infrastructure possibly due to the small nature of operations. (Criterion d)

In terms of archiving and document storage, the OAG operates an online electronic archiving system in their “L” drive. This enables secure storage and remote access to documents when required. The OAG also complies with the National Archive Act for the retention and destruction of documents (Criterion e)

Dimension (3): Administrative support services

The responsibility for all IT support services lies with the Quality assurance and IT manager, who possesses the appropriate skills and resources to undertake these tasks based on his qualifications and experience in the OAG. The small nature of the OAG makes this more manageable than would ordinarily be in a larger SAI. (Criterion a)

The Corporate Services Manager under the supervision of the DAG Corporate and International oversees tasks involving file management, archiving and management of assets and infrastructure and possesses the relevant skills and resources. The small size of the OAG makes these tasks manageable by few individuals. (Criterion b and c)

The OAG has in the last 5 years undertaken a review of the required administrative support functions and developed clear job descriptions for both the corporate service manager and administrative assistant accordingly. (Criterion d).

4.5 Domain E: Human Resources and Training

Domain E assesses how the OAG manages and develops its human resources insofar as it has the power to do so. Domain E comprises two indicators.

Domain E: Human Resources and Training		Dimensions				Overall score
Indicator	Name	1	2	3	4	
SAI-22	Human Resource Management	4	2	3	4	3
SAI-23	Professional Development and Training	4	4	4	NA	4

4.5.1 SAI-22: Human Resource Management - Score 3

Narrative

This indicator assesses elements of the SAI’s human resource management. The assessment builds on the requirements of ISSAI 140 which stipulates that the SAI’s human resource policies and procedures should include, amongst other things: recruitment, professional development, performance evaluation and promotion. It assesses four dimensions:

- (1) Human Resources Function
- (2) Human Resources Strategy
- (3) Human Resources Recruitment
- (4) Remuneration, Promotion and Staff Welfare

The assessment of SAI-22 is mainly based on the Public Service Management Act (Personnel Regulations) and the HR Management, Policies and Procedures (HR Manual) as well as interviews with SAI Management.

Indicator Summary

The OAG has allocated its human resources management roles among the senior management and a Corporate Services Manager who have relevant and sufficient past HR experience to manage the SAI's HR issues.

The OAG does not have a comprehensive Human Resources Strategy save for the high level strategic objectives included under strategic priority area 4 in the Strategic Plan 2019-2023. It should be noted, however, that the SAI was in the process of developing a comprehensive People and Organisational Development strategy at the time of conducting this performance assessment. It is envisaged the new strategy will assist the OAG to further improve its operational efficiency through stronger alignment of human resource requirements with the strategic direction of the SAI.

Consistent with the findings under indicator SAI-1 dimension 3 - organisational independence/autonomy, the OAG has the power to recruit its own staff. The OAG follows the Cayman Islands Government legal requirements for recruitment of staff as provided for in the Public Service Management Act (PSMA). The PSMA prioritises Caymanians in all recruitment processes. The SAI recruits non Caymanians if there are no suitable Caymanian candidates to fill an existing vacancy.

The OAG staff has constantly been a diverse group, with staff drawn from within the Cayman Islands and overseas.

The SAI is tied to the public service salary scale, rendering the staff remuneration partly outside the sphere of control of the SAI. However, the SAI could propose pay adjustments to the Public Accounts Committee.

The SAI Leadership can promote existing staff to higher positions although only through a formal recruitment campaign that adheres to the Government applicable rules and regulations on recruitment of staff in the public sector. However, SAI Management can directly appoint staff to temporary acting positions. For example, In the second half of 2021, two APLs were temporarily appointed to operate as Acting Audit Managers. For the first few months, they did this new role alongside their substantive APL roles. For appointments to posts in the permanent establishment, the OAG undertakes a full recruitment process when a new post is created or a vacancy arises in line with the provisions of the law. Caymanians can hold a post on a permanent and pensionable basis while all other staff are on fixed term contracts. All senior management jobs in the OAG have been filled by internal promotions since 2017; permanent posts filled through the formal recruitment process and temporary posts through internal recruitment or appointment

The OAG has no separate staff welfare policy. However, workplace safety and health are covered in the Personnel Regulations for the Government and in the Code of Conduct for the OAG. Additionally, staff welfare benefits such as staff wellness and Employee Assistance Programme (which includes professional counselling) are offered to staff, including COVID 19 isolation time-off.

Dimension (1): Human Resources Function

The human resource roles in the OAG have been allocated to senior management and a corporate services manager who have relevant and sufficient past human resource (HR) experience to manage the SAI's HR issues (criterion a).

Under the Public Service Management Act, the Auditor General is responsible for human resources (HR) management within the parameters established by the Law and Regulations. Hence, the Auditor General, supported by the Deputy Auditors General (DAGs), has the responsibility to develop and maintain a human resource strategy and a competence framework for the Office (criteria b and c).

The Corporate Services Manager is responsible for providing strategic HR advice to the Auditor General in relation to implementation of HR policies, staff remuneration, performance pay and staff training. . The DAGs also provide advice to the Auditor General on a range of HR related issues (criterion d).

Establishing staff performance agreements and undertaking their performance assessments are responsibilities of the AG, the DAGs and the Audit Managers for their respective direct reports. The AG conducts the performance appraisal for the DAGs and the Corporate Services Manager, the DAGs conduct the appraisal for Audit Managers and the rest of the staff are appraised by the DAGs and the Audit Managers. The Corporate Services Manager conducts the performance appraisal for the Administration Assistant. Section 50 of the Public Service Management Act requires these assessments to be conducted annually and specifies the minimum process to be followed. However, the OAG has its own competency framework, performance assessment forms and works to a different timescale from the rest of the civil service. The performance appraisals are conducted annually but based on the

OAG's own approach. Additionally, the DAGs oversee the development of staff skills and capabilities through training and on-the-job support (criteria e and f).

The Corporate Services Manager is responsible for maintaining staff and specific subject matter files and records. Personnel Regulation 49 requires the Chief Officer (Auditor General) to maintain complete and accurate employment and performance management records for staff and specifies the minimum content and form of these records (criterion g).

Dimension (2): Human Resource Strategy

The OAG does not have a separately documented human resource strategy in place. However, based on the principle of substance over form, the assessment team has proceeded to assess this dimension against the content of strategic priority area 4 in the Strategic Plan 2019 – 2023. It is also important to note that the SAI was in the process of developing a 'People and Organisational Development Strategy' at the time of conducting this performance assessment.

The content of strategic priority area 4 is aligned with the other three strategic priority areas namely, strengthening public services, demonstrating relevance and leading by example. To achieve these strategic objectives, strategic objective area 4 acknowledges the need for the OAG to develop a motivated, skilled and high performing workforce that can effectively deliver on the SAI's mandate (criterion a).

Strategic priority area 4 further points out the OAG's resolve to increase the recruitment of Caymanians in the Office, in addition to putting strategies on retention and remuneration of staff given that is partly outside the OAG's sphere of control. An emphasis on continuous professional development is also acknowledged as one way of motivating staff (criterion b).

Since the Strategic Plan 2019 – 2023 is distributed to all staff and is published on the OAG's website, all staff in the OAG are familiar and fully aware of the SAI's plans on human resources development (criterion f).

Strategic priority area 4 does not highlight the number and type of staff the OAG may require in response to any planned future strategic shifts in the OAG's operations. However, SAI Management clarified that a staffing needs assessment is conducted on an on-going basis and in alignment with the medium term budget period of 2 – 3 years. Further, the strategic priority area 4 lacks information on HR related indicators, baselines and targets as well as evidence on annual monitoring of achievement of targets. Some of the observed gaps are covered in the OAG's resource and operational planning documents, although SAI Management acknowledges the need for a more comprehensive and formalized workforce strategy. At the time of conducting this performance assessment, the OAG was in the process of developing a new 'People and Organizational Development Strategy' (criterion c, d, e and g).

Dimension (3): Human Resources Recruitment

The OAG is subject to the rules and regulations that apply to the wider public service the in Cayman Islands, the recruitment of staff inclusive.

Section 15 of the HR Management, Policies and Procedures (HR Manual) provides the procedure for recruitment and appointment of staff to positions within the SAI. The procedures cover all categories of appointment. The Personnel Regulations specifies the minimum procedures that are to be used (Paragraph 41) and the minimum employment terms and conditions that are to apply (Schedule 2). The HR Manual and the Personnel Regulations are public documents accessible to all interested parties (criteria a and b).

Whereas the OAG is diverse, the SAI follows the Cayman Islands Government's legal requirements for recruitment as provided for in the Public Service Management Act which prioritises Caymanians over foreigners in all recruitment processes. The SAI recruits non-Caymanians if there are no suitable Caymanian candidates (criterion c).

The HR Manual requires that the Auditor General appoints an interviewing panel consisting of at least 3 persons. This is in accordance with the Personnel Regulation No. 27 which also requires the interviewing panel to possess attributes such as appropriate understanding, no conflict of interest and the ability to act independently. At the end of the recruitment process, an interview panel report is prepared (criterion d).

Section 15 of the HR Manual provides guidance on what should be considered to justify the recruitment of staff. The Auditor General is responsible for identifying vacant positions and for creating new positions in the SAI when this is considered necessary based on an assessment of organisational needs. Positions are only to be filled where the workload or skill set requirements warrant it. If appropriate, part-time or short-term appointments are to be considered (criterion e).

Advertisements for the recruitment of Audit Managers and Audit Project Leaders conducted in 2021 included a description of the qualifications, competencies, skills and experience required for the job. The adverts were published for the attention of the public. External human resource expertise is considered not necessary by SAI management (criterion f and g).

Dimension (4): Remuneration, Promotion and Staff Welfare

The SAI prepares an Annual Performance Agreement for each employee in the SAI. The process for preparing the annual performance agreement is outlined in Section 19 of the HR Manual. SAI Management conducts annual performance assessments for all staff in line with Section 21 of the HR Manual and Section 50 of the Personnel Regulations, although the OAG uses its own timescale and approach. A review of a sample of staff annual performance appraisals indicates that the performance assessments are based on the Performance Agreement set at the beginning of the year (criteria a and b).

The OAG does not have a separate staff welfare policy in place. However, Section 48 of the Personnel Regulations on 'Workplace conditions and safety' covers some key aspects of staff welfare which the SAI is expected to adhere to as a public institution. The Code of Conduct for the OAG also covers aspects of staff welfare. Other existing staff welfare related benefits are staff wellness and Employee Assistance Programme (which includes professional counselling).. In addition, Covid 19 isolation time-off is provided to staff (criterion f).

The results of the OAG Employment Engagement Survey conducted in 2021 show that employees are given an opportunity to express their views on the work environment. A key finding from the results of the engagement survey 2021 was that the overall engagement index and scores for most of the

engagement indicators were lower than in previous years, but within a context where 2020 and 2021 were both very high relative scores (in the CIG and internationally). The Annual Report indicates that SAI Management has explored the reasons for the dip and identified the necessary actions to address the situation, The issues raised by staff were discussed in the CMT and PMT meetings and resolutions on the actions to be taken minuted. (criteria g and h).

Remuneration decisions are partly outside the powers of the SAI. However, the Auditor General has occasionally lobbied for approval of salary adjustments for OAG staff based on the local labour market trends (criterion c).

SAI Management can promote a member of staff to a temporary Acting position for up to 12 months, or longer with the approval of the Deputy Governor. This is the approach that was used in 2022 to appoint the Acting DAG – Financial Audit. Similarly, two Acting Managers were appointed also in 2022 after an internal recruitment campaign. Open and full recruitment campaigns to positions in the permanent establishment in 2021 resulted in the eventual appointment of two candidates who were both internal staff, one being a move to another post and the other was a promotion. The OAG promotes internal staff but only through the formal recruitment process prescribed by the applicable Government rules and regulations. The results from the annual performance appraisal are considered when determining the suitability and potential of an internal staff to perform at the higher level (criteria d, and e).

4.5.2 SAI-23: Professional Development and Training - Score 4

Narrative

This indicator assesses how the SAI promotes and ensures professional development to improve and maintain the competency of its staff in each of the key audit disciplines: financial, performance and compliance audit. The indicator is linked to INTOSAI-P 12 which requires SAIs to promote continuing professional development that contributes to individual, team and organisational excellence.

The indicator assesses four dimensions:

- (1) Plans and Processes for Professional Development and Training**
- (2) Financial Audit Professional Development and Training**
- (3) Performance Audit Professional Development and Training**
- (4) Compliance Audit Professional Development and Training**

The assessment of SAI-23 is mainly based on the SAI's learning and development plan, personal development plans and the annual performance appraisals.

Indicator Summary

The OAG recognises the central importance of professional development and training. A Learning and Development Plan 2021 (L&DP) prepared based on a comprehensive training needs analysis is in place.

The implementation of the L&DP is monitored through the annual performance appraisals and the new matrix management arrangements. During the performance appraisal, staff are asked to evaluate the trainings undertaken and provide their feedback. Managers also assess the effectiveness of training interventions as part of the annual performance appraisal of staff. If it is

considered that the desired impact of training has not yet been achieved, further development is identified.

The OAG has developed a competency framework that is based on the INTOSAI core competencies for public sector auditors. The competency framework is composite, covering core competences required for financial and performance audit disciplines and cutting across the different levels of staff.

More focus on performance audit training in the L&DP would be beneficial to the OAG.

Dimension (1): Plans and Processes for Professional Development Training:

The SAI developed and implemented a Learning and Development Plan (L&DP) covering the period from November 2020 to December 2021. A training needs analysis, which is internally and externally focused, was undertaken as a basis for identifying the topics to include in the Plan. The L&DP covers the induction of new staff, the SAI's policies, procedures and processes, personal skills and management, among others (criterion a).

The L&DP is linked to the Strategic Plan 2019 – 23 Strategic Priority Area 4 – 'developing our people'. Under this priority area, the SAI aims to continuously invest in its staff through targeted professional development, coaching and mentoring. To identify the skills needed, the SAI used both top-down and bottom-up approaches. From a top-down perspective, the Strategic Plan identifies the skills needed to ensure its effective delivery. From the bottom-up, staff are asked to identify their training and development needs as part of their annual performance appraisal. Although there is no stand-alone Human Resource Strategy (HR Strategy), the assessment team concludes that the L&DP is aligned with the Human Resource Strategy since some key elements of the HR Strategy are included as part of the OAG Strategic Plan. (criterion b).

The selection of staff to participate in training is based on the employee's Personal Development Plan, however based on the SAI context, in practice, the training conducted in the OAG includes all staff. The training programmes for all staff is included in the SAI's Learning and Development Plan. All audit staff are expected to have the minimum skills and competencies to conduct all the types of audits. As per Section 9 of the Human Resource Manual, all employees are required to prepare a Personal Development Plan in which they identify their performance gaps and recommend remedial action. The Personal Development Plan is prepared based on the annual performance appraisal conducted with the manager. Section 50 of the Personnel Regulations requires a mandatory annual performance appraisal to be conducted for each staff in the SAI. (criteria c, d, and e).

Professional development of non-audit staff is undertaken using the same procedure for the audit cadre. Non-audit staff conduct an annual performance appraisal with their respective manager. Based on the results of the annual performance appraisal, a Personal Development Plan is prepared by each non-audit staff, identifying the areas of improvement and the type of training required. The approved training requirements are included in the L&DP for implementation (criterion f).

The implementation of the L&DP is monitored through the annual performance appraisals and the new matrix management arrangements. Staff are asked to evaluate the training undertaken and provide their feedback, for example, the performance audit template going forward and backward evaluation, and asking the staff what they have learnt upon their return from a secondment. In addition, managers assess the effectiveness of training interventions as part of the annual

performance appraisal of staff. If it is considered that the desired impact of training has not yet been achieved, further development is identified. (criterion g).

Dimension (2) and (3) Financial and Performance Audit - Professional Development and Training

The responsibility for professional development in financial and performance audit is assigned to the DAGs in charge of financial audit and performance audit. The DAGs are assisted by the Audit Managers. This responsibility is included in the job description and the employment contract (criterion a).

In May 2020, the SAI developed a competency framework that is based on the INTOSAI core competencies for public sector auditors. The competency framework is composite, covering core competences required for financial and performance audit disciplines and cutting across the different levels of staff (criterion b).

The overall Learning and Development Plan 2020-21 is based on staff personal development plans and identified areas for strengthening financial and performance audit skills for all audit staff, including both soft skills and technical skills (audit methodology and standards). According to the L&DP, the following are identified as the priority competencies requiring training for 2020 – 21:

- Annual updates on accounting and auditing standards
- Annual updates on ethics, anti-fraud (and data protection)
- Performance Audit skills through training and experience
- Report writing
- IT audit
- Data analytics
- Documenting evidence
- IT – use of CaseWare and systems, e.g. IRIS
- Supporting two audit trainees through improving the allocation of work and supporting them with their professional accountancy qualifications (criterion c).

The delivery method for the learning and development for both financial and performance audits include internal training on IPSAS, IFRSs and audit standards and procedures, on-the-job coaching, CIIPA Summit and the IPSAS and IFRS updates, and other continuous professional development events locally and internationally (criterion d).

Dimension (4): Compliance Audit Professional Development Training

This dimension has been assessed as not applicable since the OAG does not conduct fully-fledged compliance audits

4.6 Domain F: Communication and Stakeholder Management

Domain F looks at the extent to which the SAI has established effective communications with its key stakeholders. Domain F comprises two indicators.

Domain F: Communication and Stakeholder Management		Dimensions				Overall score
Indicator	Name	1	2	3	4	
SAI-24	Communication with the Legislature, Executive and Judiciary	3	2	4	3	3
SAI-25	Communication with the Media, Citizens and Civil Society Organisations	3	2			2

4.6.1 SAI-24: Communication with the Legislature, Executive and Judiciary - Score 3

Narrative

SAI 24 seeks information on the existence of a current strategy to regulate communications at levels for the SAI. It also explores the status of communications channels and their effectiveness with a range of other interested parties. The outputs from an SAI are reports. The content of these needs to be made available in a coherent way to those who will be expected to have an interest or are mandated to act upon the content of these reports. This indicator has four-dimensions:

- (1) **Communications Strategy.**
- (2) **Good Practice Regarding Communication with the Legislature.**
- (3) **Good Practice Regarding Communication with the Executive.**
- (4) **Good Practice Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies.**

The assessment of SAI 24 is based on a review of the OAG’s communication strategy that is embedded within the strategic plan, the AG’s report to Parliament, PAC briefings, client satisfaction surveys and relevant email correspondences.

Indicator summary

The OAG’s communication strategy is embedded within the strategic plan and is supplemented by the media relations policy. The OAG communicates its key messages through press releases (that are distributed to the media and published on the OAG website) and other channels such as postings on its social media pages, mainstream media and PAC hearings. In 2021, the OAG issued 4 press releases on 2 performance audits, 1 follow up report and the General report.

The OAG has a strong working relationship with the Parliament and reports its findings annually through the Annual General report to Parliament, which analyses both financial and compliance audit issues including a summary of control weaknesses.

The OAG also provides briefs for all PAC hearings, which raise the awareness in Parliament on the roles and mandate of the OAG. The OAG has occasionally provided expert opinions and comments on draft laws and provided advice when PAC held hearings on the private sector pensions. As a

mechanism to seek feedback from the legislature on the relevance and quality of audit reports, the OAG consults with the PAC on their forward performance audit work program.

The AG holds fortnightly meetings with the Governor and monthly meetings with the Deputy Governor to maintain communication with the Executive. She also met regularly with Chief Officers of Ministries, Portfolios and Offices and as well as CEOs of SAGCs. Whereas most meetings are not formally minuted, minutes are taken for any issues that require formal follow up. The OAG also undertakes client satisfaction surveys with both financial and performance audit clients to seek feedback about the quality and relevance of audit reports and the audit process, which helps to improve the audit process.

The AG has participated in board presentations at the Anti-Corruption Commission (ACC) where she has presented on the role and mandate of the OAG. Whereas the OAG has an MOU with the ACC, the OAG lacks guidance or a policy for communication with the Judiciary.

Whereas the OAG conducts client surveys for financial and performance audits and undertakes surveys with the PAC, no assessment or survey was conducted with the wider public/citizens.

Dimension (1): Communications Strategy

The OAG's communication strategy is embedded within the strategic plan 2019 to 2023 under objective 2.2 of strategic priority area 2 on demonstrating relevance and is supplemented by the media relations policy. (Criterion a and e). Whereas the OAG is aware of the key stakeholders with whom they need to communicate, a structured stakeholder identification and mapping process has not been undertaken. (Criterion b).

The OAG communicates its key messages through press releases that are published on the OAG website and social media channels, and disseminated to the media. In 2021, 4 press releases on various audits including a report on Health Services Authority outpatient pharmacy services were released by the OAG. (Criterion c).

The OAG uses various tools and approaches for external communication including press releases through the website, postings on social media pages, mainstream media and PAC hearings. The OAG also monitors the feedback from the public to the messages disseminated. (Criterion d).

The strategic plan includes indicators on communication under strategic priority area 2 such as the frequency and effect of speaking engagements and presentations to stakeholders, evidence of proactive, regular and routine social and other media activity etc. These indicators are monitored periodically through the annual operational plan monitoring system. (Criterion f).

Whereas the OAG conducts client surveys for financial and performance audits and undertakes surveys with the PAC, no assessment or survey was conducted with the wider public/citizens. (Criterion g).

Dimension (2): Good Practice Regarding Communication with the Legislature

The OAG reports its findings from the annual financial audits annually to Parliament through the General Report to Parliament. (Criterion a). The report consolidates results of all audits completed, and reflects current status of audits in progress, as well as any significant matters that need to be brought to the attention of Parliament. The report analyses the status of financial management and reporting in the Cayman Islands including quality and timeliness of financial statements. The report

touches on findings related to public bodies' compliance with relevant laws and regulations and provides an overview of conclusions and recommendations from the audits conducted during the period. (Criterion b).

All communication to Parliament is managed through the Auditor General, but the OAG has not documented this as policy. (Criterion c).

The OAG raises awareness of the legislature on its roles and mandate through briefings for PAC hearings where the OAG presents a summary of audit findings and recommendations. The AG also does specific briefings for the PAC and its members on both their role and her role. The quarterly reports to PAC also further creates awareness. (Criterion d).

The OAG has a strong working relationship with the PAC and provides briefs before all PAC hearings. In May 2021, the new PAC held its first administrative meeting in which the AG and both deputies provided the committee with a briefing on the work of the OAG and how the office supports the PAC and presented the 2020 annual report. (Criterion e and f).

The OAG has provided expert opinions and comments on draft laws such as the Audit Act and advice to PAC when it conducts hearings. For example, the OAG provided an expert opinion and advice to the PAC during the hearing on the National Pensions Board Annual Reports conducted in 2020. (Criterion g).

As a mechanism to seek feedback from the legislature on the relevance and quality of audit reports, the OAG presents their forward performance audit work program to the PAC for feedback. This is documented in the PAC minutes. (Criterion h).

Dimension (3): Good Practice Regarding Communication with the Executive

At the commencement of each audit assignment, the OAG issues an engagement letter to the auditees that clearly sets out the responsibilities of each party. The auditors' integrity and objectivity are emphasised throughout the audit process. (Criterion a).

The audit engagement letter for financial audits and the audit scope for performance audits provides information to the auditees on the audit objectives and the principles governing interactions between both parties. These issues are emphasised during the audit entrance meetings. (Criterion b).

According to the annual report 2021, the AG held fortnightly meetings with the Governor and monthly meetings with the Deputy Governor. She also met regularly with Chief Officers of ministries and CEOs of SAGCs. The AG or the DAGs attended quarterly meetings of the Government's Audit and Risk Assurance Committee. The DAG Financial Audit and his team also meet with the Financial Secretary, board members and other key stakeholders throughout Government to apprise them of financial audit statement and compliance issues noted during audits. Whereas audit close out meetings are documented as part of the audit process, there isn't sufficient documentation in form of minutes from other meetings and discussions, which would enable follow up and tracking of resolutions. The AG however follows up by email if there are any specific actions arising from the meetings. (Criterion c).

The OAG undertakes client satisfaction surveys with both financial and performance audit clients to seek feedback about the quality and relevance of audit reports and the audit process. (Criterion d).

Dimension (4): Good Practice Regarding Communication with the Judiciary and/or Prosecuting and Investigating Agencies.

The OAG has not established any policies or procedures for communication with the judiciary and prosecuting and investigating agencies. (Criterion a).

The AG has participated in board presentations at the Anti-Corruption Commission (ACC) where she has presented on the role and mandate of the OAG. (Criterion b). The AG communicates regularly with the ACC through face to face meetings and other mechanisms on on-going investigations by the ACC that are relevant to the OAG. (Criterion c).

The AG also communicates actively on an as needed basis with the Cayman Islands Bureau of Financial on investigations relating to audits undertaken. (Criterion d).

4.6.2 SAI-25: Communication with the Media, Citizens and Civil Society Organisations – Score 2

Narrative

This indicator assesses the extent to which the OAG reaches out to the wider public through the media and civil society to inform about its role and the results of its work. It has 2 dimensions:

- (1) Good Practices Regarding Communication with the Media.**
- (2) Good Practices Regarding Communications with the Citizens and Civil Society Organisations.**

The assessment of SAI 25 is based on a review of the OAG's press releases, the media relations policy and the OAG's social media pages.

Indicator summary

The OAG's relationship with the media is guided by the Media Relations Policy 2020 and disseminates information through various media channels such as its website and social media pages. The OAG does not hold press conferences but rather issues press releases on the key messages within the audit reports. The AG and DAG performance audit are the OAG's designated contact points for all media and handle media requests. Whereas there are no active Civil Society Organisations (CSOs) in the accountability and transparency sector in the Cayman Islands, the OAG has actively engaged with other CSOs such as those dealing with environmental issues.

Whereas there are no active CSOs in the accountability and transparency sector in the Cayman Islands, the OAG has actively engaged with other CSOs such as those dealing the environment issues.

The OAG involves the public in the audit process through consultations on the performance audit forward work programme. The consultative process and the results are however not sufficiently documented.

Dimension (1): Good Practices regarding Communication with the Media

In 2021, the OAG did not hold any press conferences to launch audit reports but rather sent out press releases and responded to any subsequent enquiries. The OAG generally does not hold press conferences but does undertake media interviews if requested by local journalists whether in response to a press release or relating to any other matter. (Criterion a).

According to the OAG's website, 4 press releases were issued in 2021 on audits in the health services authority (performance audit), the general report on 2020 financial audits, financial management and reporting (performance audit) and progress on the implementation of OAG and PAC recommendations. (Criterion b). The press releases are sent out to individual journalists and emails sent out to various media houses to disseminate the OAG's audit report and also published on the OAG's website and social media channels. (Criterion c).

The DAG performance audit conducts a daily media trawl for coverage of the SAI and its audit work, which is sent to all staff and is centrally filed. Audit staff is expected to review relevant media articles as part of the planning and risk assessment phase of any audit. (Criterion d).

In terms of contact with the media, section 15 of the OAG's media relations policy 2020 requires that the AG and DAG Performance Audit serve as the designated contact points for the media and as such, all media enquiries should be referred to either of them. (Criterion e).

Section 17 of the Media Relations Policy 2020 further guides that when public comment on behalf of the OAG is requested by the media, the AG or DAGs are authorized to respond and when designated, another employee can respond for that request only. (Criterion f).

Dimension (2): Good Practices regarding Communication with Citizens and Civil Society Organisations

The OAG's mandate is documented on the OAG's website, which is publicly accessible. (Criterion a).

The press releases issued by the OAG on the audits undertaken provide a summary of the key audit findings, which should make it easier for citizens to understand the audit results. (Criterion b).

According to the OAG, they are not aware of any active civil society groups within the accountability and transparency sector however, engagements have been held with CSOs in the environment sector.. (Criterion c).

In terms of public involvement in the audit process, the OAG stated that consultations are made with the public on the performance audit forward work programme to stimulate citizens to access information on public sector audit and the OAG, beyond audit reports. However, the consultation process and its results were not sufficiently documented. (Criterion d).

The OAG also stated that consultations were made for the performance audit on education and focus groups for the audit on pharmacy. (Criterion e).

The OAG uses social media such as the websites, LinkedIn and facebook, which are regularly updated with audit reports, SAI new and other key information. The reach and feedback on these platforms is monitored quarterly by the OAG and informs internal decision-making processes. (Criterion f).

Besides audit reports, the OAG did not provide any evidence of participation or contributions to the debate on public sector improvement that do not compromise its independence. (Criterion g).

The OAG has also not established mechanisms to seek feedback from civil society and members of the public on the accessibility of its audit reports. As earlier noted, the OAG stated the lack of active civil society presence in the accountability sector. (Criterion h).

Chapter 5: SAI Capacity Development Process

5.1 Recent and On-going Reforms

The OAG participates in selected regional or global workshops organised by CAROSAI and INTOSAI through IDI's capacity building initiatives. In both CAROSAI and IDI initiatives, the OAG provides technical support and contributes to the development and delivery of capacity building programmes such as ISSAI proposals, audit professionalisation, performance measurement, among others.

The OAG also participates in the UK Overseas Territories (UK OTs) "Better Governance of Public Finances" programme. Through this programme, SAI staff participate in trainings/sessions on ethics, developing audit manuals, quality management in financial audit and environmental auditing.

As part of the programme, the UK National Audit Office has provided technical support and specialist public private partnership (PPP) expertise to the OAG for a selected performance audit. Audit managers have also participated in mentorship programmes with the UK National Audit Office Directors to develop their leadership and management skills.

The IDI funds the initiatives in which the OAG participates or provides technical support. The activities under the "Better Governance of Public Finances" are funded by the UK Foreign, Commonwealth and Development Office (FCDO). The UK Department for International Development (DFID) has also funded some initiatives in which the OAG provides technical support for example, support to SAI Montserrat.

Other capacity building initiatives are largely financed by the OAG and as discussed in SAI 1, the OAG had no cases of undue interference from the Executive regarding the OAG's budget proposal or access to financial resources in the past three years. As such, the OAG has adequate resources to cover its planned capacity building initiatives.

5.2 Use of SAI Results by External Providers of Financial Support

The externally funded programmes or initiatives in which the OAG participates are not dedicated only to the OAG Cayman Islands. For example, the UK OT programmes provide capacity building support to all UK OTs and INTOSAI initiatives are usually global initiatives with participation from interested SAIs. There is hence no indication that the OAG's audit results impact or influence the design of these capacity building initiatives.

According to the General Report on financial reporting 2021, the OAG's audit population did not include audits related to externally financed programmes.

Annex 1: Performance Indicator Summary

Indicator	Indicator Name	(1)	(2)	(3)	(4)	Overall Score
Domain A	SAI Independence and Legal Framework					
SAI-1	Independence of the SAI	3	4	4	1	3
SAI-2	Mandate of the SAI	4	4	4		4
Domain B	Internal Governance and Ethics					
SAI-3	Strategic Planning Cycle	3	3	3	2	3
SAI-4	Organisational Control Environment	4	2	4	0	2
SAI-5	Outsourced Audits	4	4	1		3
SAI-6	Leadership and Internal Communication	4	3			3
SAI-7	Overall Audit Planning	4	4			4
Domain C	Audit Quality and Reporting					
SAI-8	Audit Coverage	2	4	NA		3
SAI-9	Financial Audit Standards and Quality Management	4	4	4		4
SAI-10	Financial Audit Process	3	3	3		3
SAI-11	Financial Audit Results	3	4	4		4
SAI-12	Performance Audit Standards and Quality Management	4	1	3		3
SAI-13	Performance Audit Process	3	3	3		3
SAI-14	Performance Audit Results	4	4	4		4
SAI-15	Compliance Audit Standards and Quality Management	-	-	-		NA
SAI-16	Compliance Audit Process	-	-	-		NA
SAI-17	Compliance Audit Results	-	-	-		NA
SAI-18	Jurisdictional Control Standards and Quality Management	-	-	-		NA
SAI-19	Jurisdictional Control Process	-	-	-	-	NA
SAI-20	Results of Jurisdictional Controls	-	-	-		NA
Domain D	Financial Management, Assets, and Support Services					
SAI-21	Financial Management, Assets, and Support Services	4	4	4	4	4
Domain E	Human Resources and Training					
SAI-22	Human Resource Management	4	2	3	4	3
SAI-23	Professional Development and Training	4	4	4	NA	4
Domain F	Communication and Stakeholder Management					
SAI-24	Communication with the Legislature, Executive and Judiciary	3	2	4	3	3
SAI-25	Communication with the Media, the Citizens and Civil Society Organisations	3	2			2

Annex 2: Detailed overview of assessment scores

Indicator/Dimension	Findings	Score
SAI-1: Independence of the SAI		3
1: Appropriate and effective constitutional framework	Met: a, b, c, e, f, g Not met: d	3
2: Financial independence/autonomy	Met: a, b, c, d, e, f, g	4
3: Organizational independence/autonomy	Met: a, b, c, d, e, f, g	4
4: Independence of the Head of SAI and its Officials	Met: c, d, f, g Not met: a, b, e	1
SAI-2: Mandate of the SAI		4
1: Sufficiently broad mandate	Met: a, c, d, e, f, g, h, i N/A: b	4
2: Access to information	Met: a, b, c, e N/A: d	4
3: Right and obligation to report	Met: a, b, c, d, e, f, g	4
SAI-3: Strategic Planning Cycle		3
1: Content of the Strategic Plan	Met: a, b, c, e, d, Not met: f, g	3
2: Content of the Annual Plan/Operational Plan	Met: a, b, c, d, f, g Not met: e	3
3: Organizational Planning Process	Met: a, b, d, e, f, g, h Not met: c, i	3
4: Monitoring and Performance Reporting	Met: a, b, d, g Not met: c, e, f	2
SAI-4: Organizational Control Environment		2

1: Internal Control Environment – Ethics, Integrity and Organizational Structure	Met: a, b, c, d, e, f, g, h, i, j, k, l	4
2: System of Internal Control	Met: a, b, c, e, i Not met: d, f, g, h, j	2
3: Quality Control System	Met: a, b, c, d, e	4
4: Quality Assurance System	Met: c, h Not met: a, b, d, e, f, g	0
SAI-5: Outsourced Audits		3
1: Process for Selection of Contracted Auditor	Met: a, b, c, d, e, f, g	4
2: Quality Control of Outsourced Audits	Met: a, b, c, d	4
3: Quality Assurance of Outsourced Audits	Met: c Not met: a, b, d, e, f, g	1
SAI-6: Leadership and Internal Communication		3
1: Leadership	Met: a, b, c, d, e, f, g, h	4
2: Internal Communication	Met: b, c, d, e, f Not met: a	3
SAI-7: Overall Audit Planning		4
1: Overall Audit Planning Process	Met: a, b, c, d, e, f, g	4
2: Overall Audit Plan Content	Met: a, b, c, d, e	4
SAI-8: Audit Coverage		3
1: Financial Audit Coverage	Met: c	2
2: Coverage, Selection and Objective of Performance Audit	Met: a, b, c, d, e, f, g, h	4
3: Coverage, Selection and Objective of Compliance Audit	N/A	NA

4: Coverage of Jurisdictional Control	N/A:	NA
SAI-9: Financial Audit Standards and Quality Management		4
1: Financial Audit Standards and Policies	Met: a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s, t, u, v	4
2: Financial Audit Team Management and Skills	Met: a, b, c, d, e, f, g, h, i, j, k, l	4
3: Quality Control in Financial Audit	Met: a, b, d, e N/A: c	4
SAI-10: Financial Audit Process		3
1: Planning Financial Audits	Met: a, b, c, d, f, g, h, i, j, k Not met: e	3
2: Implementing Financial Audits	Met: a, b, e, f, g Not met: c, d	3
3: Evaluating Audit Evidence, Concluding and Reporting in Financial Audits	Met: a, b, c, d, e, f, g, h, i N/A: j, k	3
SAI-11: Financial Audit Results		4
1: Timely Submission of Financial Audit Results	Met: b N/A: a, c, d, e	3
2: Timely Publication of Financial Audit Results	Met: a N/A: b, c, d, e	4
3: SAI Follow-up on Implementation of Financial Audit Observations and Recommendations	Met: a, b, c, d, f	4
SAI-12: Performance Audit Standards and Quality Management		3
1: Performance Audit Standards and Policies	Met: a, b, c, d, e, f, g, h, i, j, k, l, m, n, o, p, q, r, s, t, u	4
2: Performance Audit Team Management and Skills	Met: h, i, j, k, l, m, n Not met: a, b, c, d, e, f, g	1

3: Quality Control in Performance Audit	Met: b, c, e, f Not met: a N/A: d	3
SAI-13: Performance Audit Process		3
1: Planning Performance Audits	Met: a, b, c, d, e, f, g, h, i, m Not met: j, k, l	3
2: Implementing Performance Audits	Met: a, b, c, d, e, f, g, h, i, j, k	3
3: Reporting on Performance Audits	Met: a, b, c, d, e, f, h, i, j, k, l Not met: g	3
SAI-14: Performance Audit Results		4
1: Timely Submission of Performance Audit Reports	Met: a	4
2: Timely Publication of Performance Audit Reports	Met: a	4
3: SAI Follow-up on Implementation of Performance Audit Observations and Recommendations	Met: a, b, c, d, e, f, g	4
SAI-21: Financial Management, Assets and Support Services		4
1: Financial Management	Met: a, b, c, d, e, f, g, h, i, j, k	4
2: Planning and Effective Use of Assets and Infrastructure	Met: a, b, c, d, e	4
3: Administrative Support Services	Met: a, b, c, d	4
SAI-22: Human Resource Management		3
1: Human Resources Function	Met: a, b, c, d, e, f, g	4
2: Human Resources Strategy	Met: a, b, f, Not met c, d, e, g	2
3: Human Resources Recruitment	Met: a, b, d, e, f Not met: c N/A: g	3
4: Remuneration, Promotion and Staff Welfare	Met: a, b, d, e, f, g, h N/A: c,	4

SAI-23: Professional Development and Training		4
1: Plans and Processes for Professional Development and Training	Met: a, b, c, d, e, f, g	4
2: Financial Audit Professional Development and Training	Met: a, b, c, d	4
3: Performance Audit Professional Development and Training	Met: a, b, c, d	4
4: Compliance Audit Professional Development and Training	N/A	NA
SAI-24: Communication with the Legislature, Executive and Judiciary		3
1: Communications Strategy	Met: a, c, d, e, f Not met: b, g	3
2: Good Practice Regarding Communication with the Legislature	Met: a, b, d, e, f, h, g Not met: c,	2
3: Good Practice Regarding Communication with the Executive	Met: a, b, c, d	4
4: Good Practice Regarding Communication with the Judiciary, and /or Prosecuting and Investigating Agencies	Met: b, c, d Not met: a N/A: e	3
SAI-25: Communication with the Media, Citizens and Civil Society Organizations		2
1: Good Practice Regarding Communication with the Media	Met: b, c, d, e, f Not met: a	3
2: Good Practice Regarding Communication with Citizens and Civil Society Organizations	Met: a, b, f Not met: d, e, g, h N/A: c	2

Annex 3: Sources of Information and Evidence to Support Indicator Scoring

List of Interviewees

- Auditor General
- Deputy Auditor General - Performance audit
- Deputy Auditor General – Corporate and International
- Acting Deputy Auditor General – Financial Audit
- Corporate Services Manager
- Audit Manager IT and Quality Assurance
- Audit Manager Performance audit
- Audit Manager Financial audit
- Selected Audit Project Leaders
- Selected Auditors

Documents Reviewed

- Cayman Islands constitutional amendment order 2016
- Cayman Islands Public Management and Finance Law 2020
- Financial regulations 2022
- Public Service management Act 2018
- OAG strategic plan 2019-2023
- OAG operational plan 2021
- OAG risk register
- OAG resource plan 2021
- OAG organogram
- OAG annual performance report 2021
- OAG quarterly reports
- OAG budgets 2019-2021
- OAG external audit report 2021
- CMT and PMT meeting minutes
- Interim audit launch presentation
- Annual audit roadmap and plan
- Performance audit programme
- Performance audit manual
- Performance audit management framework
- Annual General report 2021
- OAG Learning and development plan 2021
- OAG competency framework 2020
- Sample onboarding document

- OAG HR manual
- Sample staff performance appraisals
- Sample staff job descriptions
- Public Accounts Committee minutes
- PAC briefs
- OAG press releases
- Report on follow up of PAC and OAG recommendations
- OAG email correspondences with external stakeholders
- OAG procurement policy
- OAG code of conduct
- OAG fraud policy and response
- OAG register of interests policy
- OAG ethics and independence policy
- Office space possibilities analysis
- Client feedback surveys
- Staff feedback 2021

Audit Files Reviewed

- **Financial Audit**
 - (i) Cayman Islands Health Services Authority
 - (ii) Cayman Islands Ports Authority
 - (iii) Ministry of Finance and Economic Development

- **Performance Audit**
 - (i) HSA Outpatient Pharmacy Services
 - (ii) Improving Financial Accountability and Transparency: Financial Management & Reporting
 - (iii) Efficiency and effectiveness of the Utility Regulation and Competition Office (OfReg).

Annex 4: List of Audit Clients - 2021

Financial Audit Clients

Table 1 - Ministry, Portfolio, and Office audits

Outsourced?	Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Parliament
	Ministry of Border Control and Labour (formerly Ministry of Employment and Border Control)	20 April 2022	Unqualified	
	Ministry of Education (formerly Ministry of Education, Youth, Sports, Agriculture and Lands)	28 April 2022	Unqualified	
	Ministry of Tourism and Transport (formerly Ministry of District Administration, Tourism and Transport)	29 April 2022	Unqualified	
	Ministry of Planning, Agriculture, Housing and Infrastructure (formerly Ministry of Commerce, Planning and Infrastructure)	30 April 2022	Unqualified	
	Ministry of Health and Wellness (formerly Ministry of Health, Environment, Culture and Housing)	Not started – prior years in backlog		
	Ministry of Finance and Economic Development	10 March 2022	Unqualified	9 June 2022
	Ministry of Community Affairs (6 months to 30 June 2021)	30 July 2022*	Unqualified	
	Ministry of Financial Services and Home Affairs (6 months to 30 June 2021)	In Progress		
	Ministry of International Trade, Investment, Aviation & Maritime Affairs (6 months to 30 June 2021)	29 April 2022	Unqualified	
	Ministry of Sustainability and Climate Resilience (6 months to 31 December 2021)	5 August 2022*	Unqualified	
	Ministry of District Administration and Lands (6 months to 31 December 2021)	7 July 2022*	Unqualified	
	Ministry of Home Affairs (6 months to 31 December 2021)	<i>Issued in August</i>		
	Ministry of Youth, Sports, Culture and Heritage (6 months to 31 December 2021)	30 April 2022	Unqualified	
	Ministry of Financial Services and Commerce (6 months to 31 December 2021)	In Progress		
	Ministry of Investment, Innovation and Social Development (6 Months to 31 December 2021)	In Progress		
	Cabinet Office	30 April 2022	Unqualified	
	Parliament	26 April 2022	Unqualified	
	Office of the Commissioner of Police	31 March 2022	Unqualified	10 June 2022
Yes	Office of the Director of Public Prosecutions	29 April 2022	Unqualified	10 June 2022
Yes	Office of the Ombudsman	27 April 2022	Unqualified	

Outsourced?	Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Parliament
	Portfolio of the Civil Service	16 April 2022	Unqualified	9 June 2022
Yes	Portfolio of Legal Affairs	30 April 2022	Unqualified	8 June 2022
Yes	Judicial Administration	30 April 2022	Unqualified	

Table 2 – Statutory Authority and Government Company audits

Outsourced?	Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Parliament
	Auditor Oversight Authority	25 March 2022	Unqualified	9 June 2022
Yes	Cayman Airways Limited	In Progress		
	Cayman Islands Airports Authority	Not started		
	Cayman Islands Development Bank	29 April 2022	Unqualified	
	Cayman Islands Monetary Authority	29 April 2022	Unqualified	
Yes	Cayman Islands National Insurance Company	28 April 2022	Unqualified	10 June 2022
	Cayman Islands National Museum	6 April 2022	Unqualified	
Yes	Cayman Islands Stock Exchange	29 April 2022	Unqualified	
	Cayman National Cultural Foundation	13 May 2022	Unqualified	
Yes	Cayman Turtle Centre	Not started		
Yes	Cays Foundation	30 April 2022	Unqualified	
Yes	Civil Aviation Authority	20 May 2022	Unqualified	
	Health Services Authority	30 April 2022	Unqualified	
Yes	Maritime Authority of the Cayman Islands	29 July 2022*	Unqualified	
Yes	National Drug Council	29 April 2022	Unqualified	
Yes	National Gallery of the Cayman Islands	29 April 2022	Unqualified	
	National Housing and Development Trust	30 April 2022	Unqualified	
	National Roads Authority	4 May 2022	Unqualified	
	Port Authority of the Cayman Islands	5 April 2022	Unqualified	
	Public Service Pensions Board	27 July 2022*	Unqualified	
	Sister Islands Affordable Housing	19 April 2022	Unqualified	
	Segregated Insurance Fund	13 April 2022	Unqualified	9 June 2022
	Tourism Attractions Board	30 April 2022	Unqualified	
Yes	University College of the Cayman Islands	30 April 2022	Unqualified	
	Utilities Regulation and Competition Office	30 April 2022	Unqualified	
Yes	Water Authority	30 April 2022	Unqualified	
	Consolidated: Entire Public Sector	Backlogged	N/A	

Table 3 – Performance Audits

Outsourced?	Entity	Issued to Parliament	Publication Date
	HSA Outpatient Pharmacy Services	5 November 2021	16 November 2021
	Improving Financial Accountability & Transparency: Financial Management & Reporting	13 May 2021	20 May 2021
	Follow-up on past PAC recommendations	4 August 2021	12 August 2021
	* Utility Regulation and Competition Office (OfReg)	12 June 2020	23 June 2020

*Note: Since there were only 2 audits from 2021 (excluding the follow up audit), a third audit was selected from 2020 to maintain a sample of 3 performance audits.