




Making a Difference

Strategic Plan for 2011 - 2013





Our independent work
promotes good governance,
transparency and
accountability in the use
of public funds

Table of Contents

Foreword by the Auditor General.....	4
Introduction.....	5 - 6
Vision and Values	7
The Context: Public Audit in a Challenging Environment	8
Strategic Objectives.....	9 - 15
Resources	16
Measuring and Reporting our performance.....	17



Foreword by the Auditor General

I am delighted to present the strategic plan of the Cayman Islands Office of the Auditor General (“Office” or “OAG”). This has been prepared in consultation with our team and other key stakeholders. It captures how we want to take forward the work of the Office to ensure that we meet our statutory obligations by driving lasting improvements in value for money during this period of challenge for scarce public resources.

This is a time of significant change and uncertainty, and the pressures on public finances present significant challenges for Government, as they seek to contain and reduce costs. The risks that these challenges present reinforce the need for effective accountability of public expenditure and the importance of independent scrutiny of that expenditure by my Office.

The core activities of the OAG will continue to be the financial audit of Government and its agencies, and the provision of performance audit reports to the Legislative Assembly. Holding Government to account for its spending and for providing value for money in public services will remain a key focus, but we will ensure that this is balanced by our vision of ensuring our work promotes good governance, transparency and accountability of public funds used by the Cayman Islands Government.

As an independent body, we will continue to deliver a quality service to Legislative Assembly and the entities we audit, and we will pursue our ambitions and objectives in parallel with our programme of work. We have captured our plans under four broad

strategic objectives:

- Well managed public services
- Fostering good relationships
- Independence of the OAG
- Leading by example

The achievement of these objectives present my Office with some challenges, but they are important in ensuring that we are a well respected and effective provider of public audit to the Cayman Islands, and seen as a leader in our field within the Caribbean, and more widely within the public audit community.

In delivery of our work programme and the achievement of our objectives we will continue to strive to be as efficient and effective as possible and I look forward to reporting on how well we deliver on these strategic objectives we have set for ourselves through our annual report and accounts.

Alastair Swarbrick

Alastair Swarbrick MA(Hons), CPFA
Auditor General



Introduction

Public Audit

Those responsible for public business and handling public money must be held accountable, in accordance with the law and proper standards, to those who use and pay for the services provided. Public resources should be safeguarded, properly accounted for and used economically, efficiently and effectively.

Ministers, boards, chief officers, managers and public officials have the primary responsibility for ensuring that public business is conducted in accordance with the law and proper standards, and that public money is handled with integrity and spent appropriately. Public bodies and those responsible for conducting their affairs must discharge this accountability by establishing and maintaining proper governance arrangements and effective stewardship of the resources at their disposal.

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing a view also on matters such as the legality, propriety, performance and the economic, efficient and effective use of public money.

Public audit is an important link in the chain of accountability and holding to account. It strengthens accountability, both upwards to the elected members who provide resources, and outwards to citizens and users of public services. Public sector audit adds

value, not only by reviewing and reporting on what happened, but also by looking forward, identifying where improvements can be made, and promoting good practice. In this way public sector audit contributes to improved standards of governance, better management and decision making, and more effective use of public money.

One of the most important roles of the Legislative Assembly is to hold the Government to account for its use of public money. To do this effectively, Members need objective and fact-based information about how well the Government raises and spends public funds.

The Office of the Auditor General is an independent and reliable source of such information. We achieve this through following three core public audit principles:

- independence of auditors from the bodies being audited;
- wider scope of the audit that extends beyond the numbers in the financial statements ; and
- making the results of our audits and reviews available to the public and to democratically elected representatives.

Auditors should be independent: We carry out our work independently and objectively, and comply with relevant ethical and professional standards as issued by the International Federation of Accountants. We provide entities we audit with appropriate advice to support the efficient and effective delivery of their functions and services. We do not carry out any work for an entity if it would impair our independence or might

Introduction Public Audit continued

be reasonably perceived as such. It is not our role to act as financial or legal advisers or consultants to entities. Our work is not a substitute for an entity obtaining legal or other professional advice.

Public audits should be wider in their scope reflecting the special accountabilities that attach to the use of public money: The scope of our audit work is wider than in the private sector and includes aspects of public stewardship, value for money and performance management.

Auditors should report in public, without fear or favour: We report as we find, and our reports are made available to the Legislative Assembly, other stakeholders and the public, as appropriate. Audit is an essential element of accountability and the process of public reporting is key to ensuring that.

Who We Are And What We Do

The Cayman Islands 2009 Constitution 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”.

It further 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 Legislative Assembly and must attend upon the Committee at its request.” The powers and duties of the Auditor General are further set out in the Public Management and Finance Law (2010 Revision).

In practical terms this means the Office of the Auditor General is the independent “watchdog of government spending” working on behalf of the Legislative Assembly and the wider public. We carry out this role on a day to day basis by undertaking three main strands of work:

- Financial statement audits of the Entire Public Sector (EPS) consolidated financial statements, and of each ministry, portfolio, statutory authority and government company.
- Performance and compliance audits that promote the efficient, effective and economic use of scarce public resources across ministries, portfolios, statutory authorities or government companies.
- Support and assistance to the Public Accounts Committee(PAC).

We also provide support services to Hazard Management Cayman Islands, and the Auditor General is a member of the recently established Anti-Corruption Commission.

The OAG is made up of a team of 19 staff as at 30 June 2011. Its work is also supported by private sector audit firms who carry out financial statements audits on behalf of the Auditor General at a number of statutory authorities and government companies.

Vision & Values

In developing our strategic plan we have developed a clear vision for the work that the Office of the Auditor General carries out, along with three core values that underpin our vision. We envision that:

“Our independent work promotes good governance, transparency and accountability in the use of public funds”

The three core values underpinning the OAG’s vision are:

- **Independence** – We work independently from Government
- **Professionalism** – We carry out our work with integrity and respect, competently and in the public interest.
- **Accountability** – We are accountable to the Legislative Assembly and the people of the Cayman Islands for what we do.

Our vision and values provide an overarching framework under which we have developed the strategic objectives and related activities that make up this Strategic Plan.

Our vision and values are also underpinned by a Code of Conduct, and policies on ethics and independence which outline the standards of behavior that are expected by all OAG staff. Further details regarding these can be obtained from our website www.auditorgeneral.gov.ky.



The Context

Public Audit in a Challenging Environment

The background of a volatile global economy and fiscal pressures reinforces the importance of external audit scrutinizing expenditure and holding Government to account for maximizing the value obtained from public spending. The Cayman Islands continue to experience a tough economic environment which presents direct challenges to the public sector with ever increasing demand for services. As the effect of the economic conditions are felt, the pressure on delivery of services is also likely to increase. These fiscal pressures create risks and opportunities to value for money, including risks to the interests of those using public services if service quality is compromised in the search for greater efficiency.

In these times of economic turbulence and significant fiscal pressures the need for robust financial information to support decision making is even more crucial as officers and Ministers have to consider difficult questions about ongoing sustainability of service provision and the use of scarce resources. It is also vital to ensure public accountability, so that all stakeholders can effectively hold Government to account for its decisions and actions. This presents some specific challenges for the Cayman Islands, with public entities not producing accounts and financial statements effectively and efficiently to support robust financial management and accountability.

Given this environment, trust in the systems of government has reduced at home and abroad. There is great interest in public spending and public sector performance and this underlines the importance of the scrutiny of the Executive by the Legislative

Assembly. Based as it is on robust independent public audit, Parliamentary scrutiny can provide assurance to the public, serve as a catalyst for improvement, and can help support public trust in democratic institutions and processes.

Our strategic plan has been prepared against this context and in line with our Strategic Ownership Goals as set out in our 2010/11 Budget Submission to the Legislative Assembly:

- To develop and strengthen the Office's human resource capability in order to provide an effective and efficient audit service.
- To ensure that we meet the changing needs and expectations of our stakeholders by focusing our resources on matters offering the greatest potential to improve their performance and accountability.
- To continuously improve our own business management practices by identifying and giving priority to the most important risks.
- To enhance the independence of the Office by assisting Government in developing a framework for the mandate and operations of Office of the Auditor General's Office via an Auditor General's Act.
- To enhance public accountability through the release of relevant and timely audit reports to all stakeholders.
- To meet the deadlines and commitments of the Public Management and Finance Law (2010 Revision) and the Public Service Management Law (2010 Revision) and the Personnel Regulations, 2006.

Strategic Objectives

Our strategic plan is based around achieving four over-arching strategic objectives:

- Well managed public services
- Fostering good relationships
- Independence of the OAG
- Leading by example

These objectives are inter-related, align with our strategic ownership goals and have been developed in consultation with key stakeholders.

Well Managed Public Services

As the watchdog of government spending our primary aim is to hold Government to account for how it manages and spends the scarce resources at its disposal. In doing this we have to balance this work with the need to support Government to improve so that the programs and services that it is providing to stakeholders continuously improve.

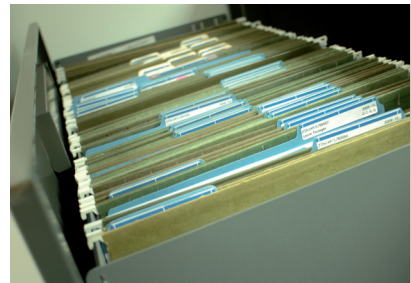
Good Governance Across the Public Sector

Public expenditure in the Cayman Islands exceeds \$650 million annually. How this money is spent and the quality of services it provides is critically important to us all, as we use and ultimately pay for the services provided. Governance is the way in which organisations are directed, controlled and held accountable. It defines the distribution of rights and responsibilities among the different stakeholders and participants in an organisation, determines the rules and pro-

cedures for making decisions on corporate affairs including the process through which the organisation's objectives are set, and provides the means of attaining those objectives and monitoring performance.

As a result we all need governance of our public services to be of a high standard. Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes. Therefore, we will:

- Work with Government through our programme of financial and performance audits to promote good governance, accountability and compliance with the standards expected of those in public life.
- Promote good practice through seminars, development of good practice guides and sharing knowledge through our website.
- Provide advice and assistance to the Commission for Standards in Public Life



Robust Financial Management and Reporting

Robust financial management and reporting is fundamentally important to ensuring that Government business runs effectively and demonstrates transparency and accountability to their stakeholders. Whilst the production of robust annual reports and accounts are important in ensuring that government is transparent and accountable for its use of resources, this needs to be underpinned by robust financial management arrangements and systems to enable Government to effectively manage its business and support effective decision making throughout the fiscal year. In these times of economic turbulence and significant fiscal pressures the need for robust financial information to support decision making is even more crucial as officers and ministers have to consider difficult questions about ongoing sustainability of service provision.

At present there is a continuing backlog in the presentation of audited Annual Reports and Accounts to the PAC and the Legislative

Assembly, dating back to 2004/05 which undermines transparency and accountability and raises significant concerns about effective financial management. Therefore, recognizing the limited use of the older information in terms of accountability, and in order to move forward and ensure that there is effective accountability for the future we will:

- Work with Government to identify practical solutions to clear the backlog, so that the statutory requirements for preparing and auditing reports and accounts are met.
- Work with Government to help identify the deficiencies and issues which have led to the backlog and encourage Government to tackle and address these deficiencies and issues in a systematic and proactive way.
- To promote effective financial management and timely Annual Reports and Accounts which comply with the appropriate reporting standards and legislative requirements.
- Communicate clearly to government our expectations for the future presentation of accounts for audit and our response if these are not met.
- Inform and contribute to discussions on the PMFL.
- Develop our reporting on entities, including Reports to those Charged with Governance and Public Interest Reports, making them more informative and available publicly as appropriate.



Efficient, Effective and Economic Use Of Resources

A fundamental part of our remit is to carry out audits on whether government carries out its business efficiently, effectively and economically. Whilst we have continued to deliver performance and compliance audits, our immediate focus has been on resolving the financial statements backlog. Therefore over the period of this plan we intend to further develop our performance audit practice.

In doing this we intend to focus on the areas that matter to our stakeholders to ensure that our work has impact and holds Government to account but at the same time helps them to improve. Specific actions we intend to undertake are:

- Consult with key stakeholders on our planned work and develop a rolling three year plan of the performance and compliance audits we plan to undertake. This will be updated each year, made available on our website, and progress reported through our annual report and accounts.
- Develop clear protocols for the completion of each audit, including the delivery of the draft report to government, timescales for responding, submission of the report to PAC and publication of our reports.
- Report the outcomes of our audits in public, ensuring that our reports are balanced, recognizing where organisations are doing well, or taking action to make improvements, highlighting areas that need improvement, and helping to identify innovative solutions to problems.

- Develop Public Interest Reports reporting specific issues of concern, arising from our audits, to PAC and publicly.
- Develop a framework for following up our original work, to identify and report on how Government has responded to our findings and what action they have taken.

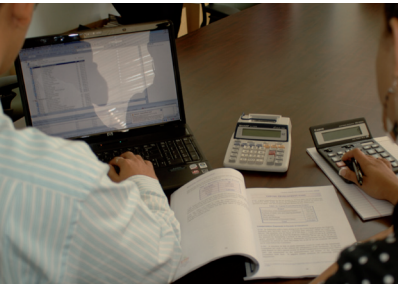


Fostering Good Relationships

Through our work we provide our stakeholders with assurance about Government expenditure. It is important that our work has influence and impact, so that it supports Government and its various entities to take on board our findings and recommendations to make lasting improvements. To achieve this it is important we are seen as a respected professional organisation, delivering a consistent quality of service, built on strong relationships, active partnerships and our traditional products, whilst looking at flexible and innovative ways to achieve buy-in and action from audited bodies.

Providing Effective Support to the PAC and Legislative Assembly

Critical to our success is the service/support we offer the PAC and Legislative Assembly more broadly so that the outcomes which are jointly achieved from this unique relationship are enhanced. Over the period of this plan it is our intention to work effectively with the PAC to identify how we can further develop and enhance our working relationship to ensure that the impact of our work is enhanced.



Communication And Engagement With Our Stakeholders

To achieve the desired impact from the work we perform, we need to do more than publish reports and reach audit opinions. It is important that we engage and communicate effectively with our clients about our work and activities, and are proactive in providing professional advice to Government without compromising our independence or duties to the Legislative Assembly. These activities will help overcome resistance and remove barriers to improvement. It is also critically important that we focus on the areas that matter most to stakeholders.

Activities that will support this include:

- A clear communication and media strategy/policy, a key component of which is the implementation and proactive management of our website.
- A clear and consistent approach to client engagement, including our expectations around reporting and the provision of advice and guidance.
- Taking a holistic view of issues to help us select the right mix of activities to address underlying issues affecting cost effective public service delivery.
- Develop a clear programme of performance audits based on wider consultation with key stakeholders.

Effective Partnerships

To ensure that we have impact and influence it is important that we work effectively and develop effective alliances with other organisations where our objectives intersect and where we share common agendas. We will do this with the following organisations:

- Anti-Corruption Commission
- Commission for Standards in Public Life
- Office of the Complaints Commissioner
- Information Commissioner's Office
- Private Sector Audit Firms
- Hazard Management

Capacity Building

As we continue to develop as an organization and build capacity internally we will consider how we can have a wider influence through our membership in CAROSAI to support the development of public audit in the Caribbean, while learning from other audit agencies to enhance our skills and knowledge.

Independence of the OAG

The Auditor General, and therefore by inference the Office of the Auditor General, is a statutorily independent watchdog of Government spending and has freedom of action in the work that it carries out. However there are perceptions both within and outside Government that we are part of Government. This is reinforced by some of the provisions in the PMFL and application of the PSML, which enable Government to constrain the financial and operational independence of the OAG through the withholding of resources. As a result there is a need to enhance the independence of the OAG, to ensure that its work as an independent watchdog cannot be compromised by Government, that we have the resources to deliver our mandate and to change perceptions about its independence.

The OAG will therefore over the period of this plan will:

- Work with the PAC and Government to develop a framework for the mandate and operations of Office of the Auditor General's via an Auditor General's Act.
- Communicate and educate stakeholders on the role, functions and independence of the OAG through various mechanisms, including presentations, publications and our website.
- Develop an identity and brand for the OAG, clearly separate from Government.
- Work with Government to resolve financial and operational constraints that could affect our independence.

- Further develop our policies and processes around ethics and audit conduct, to reinforce our independence.



Leading By Example

Good Governance of the OAG

As the public watchdog for reporting on how Government uses scarce public resources appropriately, efficiently and effectively, we are obliged to lead by example. Therefore we must ensure that how we are organized, governed and managed is open and transparent, accountable, complies with the principles of good governance, and promotes the standards expected of those organisations we audit.

To ensure that that we continue to meet these requirements, and are seen to lead by example we will review our governance arrangements to ensure that they meet and exceed the standards we would expect of others in performance of their duties. Specific work that will be undertaken is as follows:

- Actively reporting our own performance through our annual report and accounts, providing an analysis of the delivery of our work programme, development of the Office and our use of resources.

- Ensuring compliance with the requirement of all laws and regulations, and in particular those required through the PMFL and PSML.
- Further develop our internal policies, particularly around conduct, ethics and independence, to reflect recent developments in our professional requirements and the standards expected of those in public life. This includes maintaining a register of interests for all staff to ensure that any potential conflicts of interests are appropriately addressed.
- Maintain and develop our systems and processes for managing complaints about the Office and handling Freedom of Information requests, using our website.
- Pro-active disclosure through our website, and as appropriate in our annual report and accounts of: the interests, remuneration and expenses of senior management; all individual expenses and contracts over \$25,000; and, relevant information to support Freedom of Information.
- Reviewing how we are organized and structured to ensure that we are efficient and effective in the delivery of our work.

Continuous Development Of Our Professional Practice

We are required to carry out our work in compliance with International Standards on Auditing (ISAs) which are continually being modified and have recently been subject to significant development and clarification. As a public sector external audit office we also pay regard to the International Standards of

Supreme Audit Institutions (ISSAIs) which further develop ISAs for application in the audit of government entities. Auditing practices, techniques, methodologies and supporting tools also continue to develop. Accounting standards against which we carry out our financial audit work have also seen significant changes recently and continue to develop and evolve.

To maintain compliance with auditing standards, which audit practices are professionally and ethically required to do, there are increasing demands on the work that audit practices need to carry out in the conduct of their audit work, in particular around the area of quality control and assurance. Therefore it is vital for us in delivering our mandate and maintaining our professional audit practice that we review and update how we carry out our work, ensure that we have the appropriate tools in place to support our work, maintain and develop the skills of our team, and ensure we have the appropriate capacity to deliver our work in line with our professional and ethical requirements.

Over the period of this strategic plan we will:

- Continue to develop our financial and performance audit practices to ensure that they are risk based and focused on the areas that matter, including reviewing and upgrading the IT tools that are essential in the delivery of our work.
- Develop and implement a training plan to ensure compliance with professional requirements, organizational effectiveness, staff are provided with appropriate skills and tools, and support effective succession planning.

- Develop and implement an appropriate quality assurance framework and be subject to an external peer review within 3 years.
- Develop a consistent framework for contracting out work to private sector audit firms.

Developing the Capacity of the OAG

In delivering on our mandate it is important that the OAG has the appropriate resources, in terms of both the overall level of resources and the skills of our staff. In the last six years there have been a number of developments in our operating environment that impact on our overall resource needs as a professional audit office. These include the introduction of the PMFL, the creation of new entities and the significant changes in accounting and auditing standards. For example the introduction of the PMFL resulted in: the introduction of accrual accounting across all government entities; the requirement of each individual ministry and portfolio to have audited financial statements; and, government companies falling within the remit of the OAG.

The impact of these developments cannot be underestimated. The overall resource needs of the OAG have been erratic over the last six years due to the significant delays in the proper preparation of financial statements for audit. The uncertainties and delays in the preparation of financial statements for audit have also impacted on the resources that have been available to deliver other areas of our mandate.

With respect to the skills necessary within

the OAG, it is essential that we have the appropriate skills to effectively deliver on our mandate. Outside of the core financial audit skills, that are well developed within the OAG, a key requirement is that we have skills and capacity to deliver performance audits. Also as the as the delivery of services by entities and their administration become increasingly reliant on information technology it is essential that we have the skills to effectively audit the underlying information technology systems.

Over the period of this strategic plan we will:

- Review the overall resource requirements of the OAG to effectively deliver our mandate and meet our professional requirements.
- Develop our capacity and resources to carry out performance audits.
- Build our capacity to deliver information technology audits.



Resources

The Office of the Auditor General meets its costs from audit charges to public entities, and charges to the Public Accounts Committee. Our budget is subject to scrutiny and approval by the Public Accounts Committee. We are committed to keeping the cost of our work to a minimum.

Resource Requirements For 2011/12

For 2011/12 the OAG has budget to incur operating expenses of \$2.055 million which is matched by the revenue we expect to generate through our audit services to PAC and public entities. This budget was imposed on the OAG by the Ministry of Finance and represents a further diminishing of the OAG’s capacity to deliver its mandate. In cash terms our 2011/12 budget is now 3.5% lower than the OAG’s original budget in 2004/05, and around 30% lower than the OAG’s original budget in 2008/09.

The current budget position is likely to have

an impact on delivering our strategy and therefore meeting our constitutional mandate. However the OAG will continue to strive to achieve its objectives set out in this strategic plan.

Future Resource Requirements

As budget approval is an annual process, no agreement exists on resource requirements for 2012/13 and beyond. The OAG has undertaken a full review of the resources required to deliver our mandate and meet our professional and ethical requirements, in conjunction with discussions regarding our status and independence. As a result of this it is clear that there is a clear resource gap between the requirements to be able to deliver our mandate and the resources that are currently available. Over the coming period the OAG will look to influence and work with key partners to secure the necessary resources to effectively deliver our mandate. In doing this the OAG is committed to delivering all our functions and services efficiently and effectively.

	2011/12 Budget	2010/11 Forecast	2010/11 Budget	2009/10 Actual
Revenue	\$000	\$000	\$000	\$000
Audit services provided to PAC	575	533	560	574
Audit services to other government agencies	1,480	2,151	1,551	1,491
Total Operating Revenue	2,055	2,684	2,111	2,065
Operating Expenses				
Personnel costs	1,762	1,666	1,669	1,723
Supplies and consumables	274	302	421	436
Depreciation	19	19	21	18
Total Operating expenses	2,055	1,987	2,111	2,177

Measuring & Reporting our Performance

We are committed to effectively reporting on the performance of all our work during the year. At present the outputs that we are required to deliver are set out in our annual budget statement to the Legislative Assembly, which reflect our work in respect of outputs for the PAC and include:

- Audit reports and advice to the Public Accounts Committee (PAC) and other Legislative Committees relating to:
 - Management of executive financial transactions;
 - Financial Management of Entire Public Sector (EPS) or of any Ministry, Portfolio, Statutory Authority or Government Company;
 - The economy, efficiency and effectiveness of any Ministry, Portfolio, Statutory Authority or Government Company; and
 - Other matters of public interest as determined by the Auditor General.
- Advice and assistance to Hazard Management Cayman Islands, which includes providing strategic direction for the National Emergency Operations Centre, Support Services Group when a national disaster occurs and oversight and monitoring through the Logistics Support System (LSS) for the distribution of international aid donated to the Government.

However, these do not reflect all the work of the Office, in particular our financial statements audit work for all the public entities. Therefore over the coming year we intend to develop further performance measures to effectively demonstrate the outcomes from all our work



Contact us

Physical Address:

3rd Floor Anderson Square
64 Shedden Road, George Town
Grand Cayman

Business hours:

8:30am - 4:30pm

Mailing Address:

Office of the Auditor General
P. O. Box 2583 Grand Cayman KY1- 1103
CAYMAN ISLANDS
Email: auditorgeneral@oag.gov.ky
T: (345) 244 3211 Fax: (345) 945 7738

www.auditorgeneral.gov.ky

