


30 Years of Service
2013

Annual Report

30 June 2013





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

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FOREWORD BY THE AUDITOR GENERAL

I am delighted to present the Annual Report of the Office of the Auditor General (“Office” or “OAG”) for the Cayman Islands for the year ending 30 June 2013. This annual report completes the accountability cycle that began when the Office published its 2012/13 Annual Budget Statement. Both documents help legislators and the public assess the Office’s performance. A further objective of this report is to communicate who we are and what we do, and to encourage the reader to understand our role and our desire to make a difference in the lives of the people of the Cayman Islands by ensuring public funds are managed in a transparent and accountable way.

This year marks the 30th anniversary of the creation in 1983 of what is now the Office of the Auditor General. The world and the Cayman Islands have changed significantly in the last thirty years, and the environment we find ourselves operating in now is significantly different to that which the first Auditor General, Mr. Roy Kelly, found when he was appointed to the position. The role of government has continued to develop and adapt, as have the standards and expectations under which it must operate. In 1983, the Cayman Islands Government was significantly less complex and had expenditure of around \$50 million. Financial statements were prepared on a cash basis, the OAG only carried out financial audits and it had no performance audit mandate.



Public sector audit has also developed over the last 30 years and changed significantly across the world, with increased recognition of:

- the importance of a wider scope audit which examines much more than just the financial statements;
- the need to increase and protect the independence of public sector audit offices; and
- the need for public sector audit offices to have the freedom to report their work publicly.

These developments reflect the increased complexities of governments and the transactions they undertake, developments in public sector governance, the evolution of professional accounting and auditing practice and the demands from citizens for increased

transparency and accountability in how governments use public resources.

We celebrate the successes and achievements of the OAG over the last 30 years, and the steps that have been taken to strengthen our role in supporting democratic accountability. The independence of the Auditor General is enshrined in the Cayman Islands constitution, the OAG has a wide mandate that enables the audit and examination of wide ranging issues affecting the performance of the public sector, and we are also able to report publicly on what we find. However, it is important that we continue to demonstrate the value and benefits of our work, protect and strengthen our independence and ensure that the ability to carry out our mandate is not compromised by inappropriate involvement or interference in our operations.

During the next year we will continue to live up to our vision statement ***“OUR INDEPENDENT WORK PROMOTES GOOD GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY IN THE USE OF PUBLIC FUNDS”***. We will do this by acting as a trusted and effective independent source of information for the Legislature and the general public.

The core activities of the OAG during 2013/14 will continue to be the audit of the financial statements, the submission of performance audit reports to the Legislative Assembly, and continued support of the activities of Hazard Management Cayman Islands. For the next year, we will also have a specific focus on promoting the value and benefits of our independent work and engaging with key stakeholders about opportunities to strengthen our independence.

As the Office of the Auditor General, we believe that we should lead by example and challenge ourselves, looking for ways to continuously improve how we carry out our work, and provide accountability measures for our performance.

The Office’s success depends on the efforts of many people. For example, legislators support the work of the Office by providing the funds needed to audit the Government. Adequate funding helps the Office meet legislators’ and the public’s expectations. Also, the legislators’ review of the reports of the Office helps ensure that our work makes a difference by holding the administration to account.

Government officials and appointed auditors also contribute to the Office’s success. Without the co-operation and assistance of Government officials we would be unable to report on the quality of their management to the Legislative Assembly.

Lastly, my dedicated team of auditors contributes their experience, skills and hard work to fulfill our mandate by providing assurance and advice to the Legislative Assembly and the Government. The reports issued to the Legislative Assembly are the result of their hard work.

I trust you will find this Annual Report informative and that it will provide a good basis for holding my Office accountable for the resources it was given.



Alastair Swarbrick, MA(Hons), CPFA
Auditor General
8 October 2013

ABOUT THE OAG

PUBLIC SECTOR 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 probity 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 an assessment of matters such as the legality, propriety, performance and the economic, efficient and effective use of public money.

Public sector audit is an important link in the chain of accountability and holding to account. It strengthens accountability, both upwards to

The Cayman Islands Constitution

The 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 (“the PMFL”)*.

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 collects and spends public funds.

The need for a third party to provide information and attest to the credibility of the financial reporting, performance results, compliance, and other measures arises from several factors inherent in the relationship between the principal (the Legislative Assembly) and its agent (the Government):

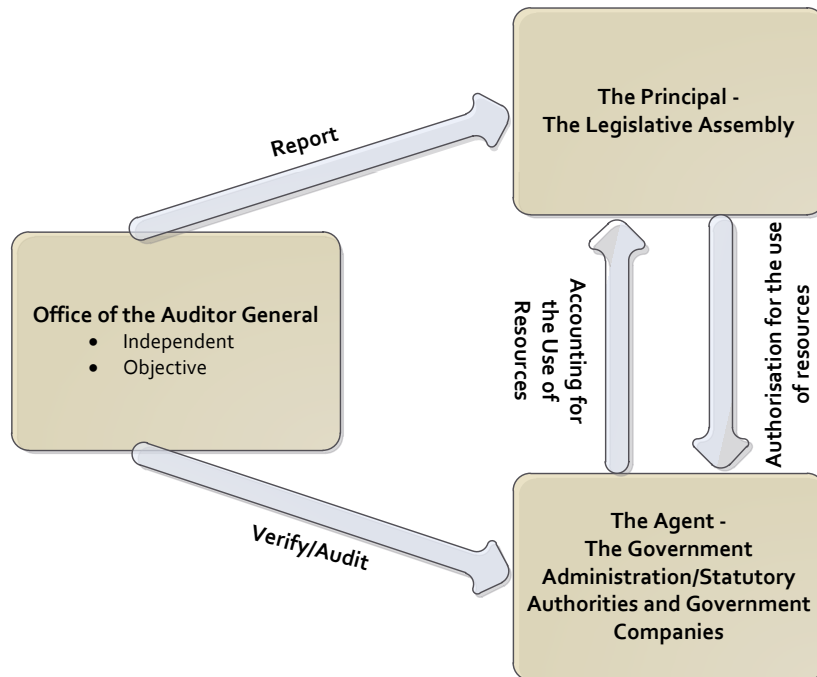
- Conflicts of interest: Agents may use their resources and authority to benefit their

own interests, rather than the principal's interests.

- Remoteness: Operations may be physically removed from the principal's direct oversight.
- Complexity: The principal may not possess the technical expertise needed to oversee the activity.
- Consequence of error: Errors may be costly when agents are stewards of large amounts of resources and are responsible for programs affecting citizens' lives and health.

The Office of the Auditor General is an independent and reliable source of such information. The Exhibit below shows the relationships between the Legislative Assembly, the Government and the OAG.

Relationships between the Legislative Assembly, the Government and the OAG



WHO WE ARE AND WHAT WE DO

The Office of the Auditor General has been called the independent “**Watchdog of Government Spending**” working on behalf of the Legislative Assembly and the wider public. We carry out this role by undertaking:

- Financial statement audits of the Government, including each ministry, portfolio, statutory authority and government company.
- Performance and compliance audits which promote the efficient, effective and economic use of resources across ministries, portfolios, statutory authorities and government companies.
- Support and assistance to the Public Accounts Committee (PAC) of the Legislative Assembly.

We also provide support services to Hazard Management Cayman Islands. The Auditor General supports other government activities such as being a member of the Anti-Corruption Commission, a Director of the Auditor Oversight Authority and providing advice to operational committees.

Audit is a fundamental element of accountability that supports the role of Government to effectively report on its use of public money. Our work focuses on how well the civil and public service implements government policy. We examine how resources have been used, including whether they are in line with relevant legal authorities.

We report our findings without fear or favour. Our reports are issued to the Legislative

Assembly, Government entities, other stakeholders and the public, as appropriate.

The freedom to determine the content, timing and publication of reports is a fundamental principle of an independent audit office. It promotes transparency in the use of government resources and enables our objective findings to be made available without any political interference or manipulation. In line with international standards for public sector audit offices we fulfill our responsibilities by informing the public of the results of our work through our website and the media.

OUR STRATEGY

Our 2012/13 Budget Submission to the Legislative Assembly set out our strategic ownership goals. In 2011 we published our strategic plan for the period 2011 to 2013, which sets out four over-arching strategic objectives, which are in line with the Strategic Ownership Goals. The four objectives are:

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

Our strategic plan provides the platform for driving the work of the Office forward. It also enables us to monitor our progress and performance, and provides a basis for stakeholders to understand our performance in future years.

Strategic Plan Objectives:

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 balance this work with the need to support Government to improve so that the programs and services it is providing to stakeholders continuously improve.

Fostering good relations: 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 implementation of our recommendations by audited entities.

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 the Government that we are part of Government. This is reinforced by some of the provisions in the PMFL and application of the *Public Service Management Law* (“PSML”), which could enable Government to constrain the financial and operational independence of the OAG through the withholding of resources. 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.

Leading by example: 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 involved in public life.

OUR WORK

“...the need for financial accountability has existed ever since it became necessary for one individual to entrust the care of his possessions or business to another.”

Committee to review the Functioning of Financial Institutions (“Wilson Committee”) 1980

Our primary aim is to hold the Government to account for how it manages and spends the scarce resources at its disposal. In doing this we balance this work with the need to support Government to progress so that the programs and services it provides to stakeholders continuously improve.

FINANCIAL AUDIT

Our financial audit work helps the Legislative Assembly hold organisations to account for over \$750 million of expenditures and over \$1.8 billion in assets and liabilities. Our audits provide independent assurance to the Legislative Assembly on how public money has been spent, how revenue has been generated, that assets have been safeguarded and liabilities are fully recognised.

The findings and recommendations from our financial audits should help focus attention and stimulate improvement in governance and control, enhancing financial management and

the quality of information that government entities use to make decisions.

In 2012/13, we carried out financial audits of 41 individual entities (see Appendix 1) and on the consolidated financial statements of Government. During this period, there was still a backlog of audited financial statements and annual reports to be tabled in the Legislative Assembly, although this continued to decrease. This backlog arose from deficiencies in the presentation of information for audit, which has undermined transparency and accountability and raised significant concerns about effective financial management.

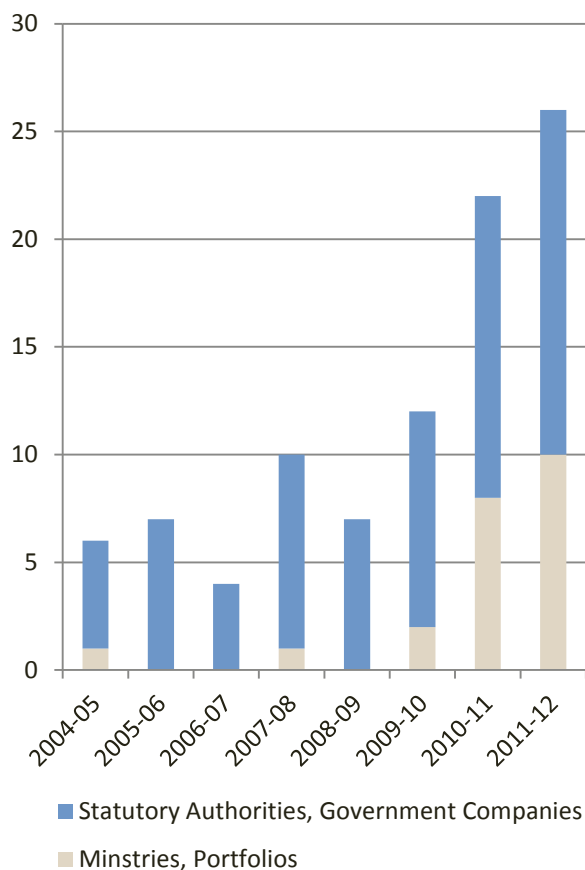
ENTITY FINANCIAL STATEMENTS

During the year we worked hard with Government to audit the 2011/12 financial statements and clear the remaining backlog. We issued in total 48 (2011/12: 55) financial statement audit opinions on individual entities during the year. Of these 26 were for the most recent year (2010/11: 22) which while still far

from ideal, demonstrates ongoing improvement over previous years. As at 30 June 2013 (2012: 26) there are 24 audits outstanding.

Exhibit 1 shows the improvement in the number of financial statements that were audited and signed off within 12 months of the fiscal year end since the introduction of the PMFL.

Exhibit 1: Audits completed within 12 months of the fiscal year-end



Whilst we are seeing improvements in timeliness, we are also seeing improvements in quality. However, there is still a significant way to go to achieve a position where most financial statements receive unqualified audit opinions.

For more detailed information see our Financial and Performance Reporting reports on our website: <http://www.auditorgeneral.gov.ky> .

ENTIRE PUBLIC SECTOR (CONSOLIDATED OR EPS) FINANCIAL STATEMENTS

With respect to the consolidated financial statements of the Government, we continued to work with Government on auditing the submissions for 2010/11 and 2011/12. These statements include all the executive transactions of government which are not included in any of the individual entity financial statements. As well, the EPS includes the coercive revenues, transfer payments, executive expenses and loan transactions.

As at 30 June 2013, we had concluded our work on 2010/11 EPS statements and the audit for 2011/12 was also nearly complete. It is our intention to report the results of these audits shortly after the date of this report.

The audits for 2008/09 to 2009/10 remain outstanding. Submissions for both were received in February 2013 and we will consider our strategy for auditing them with Government once we complete and report on the statements for 2010/11 and 2011/12.

INFORMATION TECHNOLOGY AUDIT

In June 2012, we engaged Deloitte and Touche to carry out information technology audit services. The main focus of the work was to provide us with assurance regarding the key systems that underpin the financial transactions in the Government’s financial statements. This included the main accounting system and its related modules, and the Immigration, Customs

and General Registry systems. The work also included a strong focus on information technology security.

The results of this work were provided to senior Government officials in December 2012 and we are preparing a report for the Legislative Assembly and the public.

IMPACT OF OUR WORK

Our work is having an impact as the timeliness and quality of financial reporting is improving along with a significantly reduced backlog. However, this is all relative to the situation that has been experienced in terms of financial reporting. There is still quite a way to go before financial accountability is fully restored and the Government has reliable financial information for decision making.

We will continue working with the Government to reduce the percentage of modified audit opinions and improve the timeliness of financial reporting in the future. These will be good performance indicators to discuss further improvements in Government's financial management and reporting, and the impact of our work.

AUDITING STANDARDS AND ETHICS

We conduct our financial audit work in accordance with International Standards on Auditing, also paying regard to International Standards of Supreme Audit Institutions (ISSAIs). The audits are delivered by staff who are qualified members of professional accountancy bodies or in training to become so. There are also eight audits conducted by local

audit firms on behalf of the Office of the Auditor General.

The independence of public auditors ensures their effectiveness. In this respect we have a Code of Conduct which has adopted the ethical standards for accountants and auditors prescribed by the International Federation of Accountants. The Auditor General performs the role of the ethics partner and provides advice on applying the standards.

PERFORMANCE AUDIT

A fundamental part of our remit is to conduct audits on whether government carries out its business efficiently, effectively and economically. During the year we continued to undertake high quality performance audits on a range of topics. The majority of this work was still ongoing at the 30 June 2013 and will be reported in the coming months. This includes four reports on various aspects of Governance, and reports on the Save the Mortgage Programme, the Management of Travel Expenditure and the Nation Building Fund. Details of the reports issued and those in progress can be found at Appendix 2.

We had hoped to complete and report on more of this work during the fiscal year. However as a result of financial constraints faced by the Government and which impacted on our Office, we had to delay the completion of some of our work.

We also were able to finally issue in public our report on the Affordable Housing Initiative which was submitted to the Legislative Assembly in 2005. The delay was caused by the Legislative Assembly's previous standing orders

which did not allow the publication of our reports until after they had been considered by the PAC and the report of the PAC was tabled. This eventually happened in October 2012.

Towards the end of the fiscal year, we commenced the process to undertake a public consultation on our future performance audits. The purpose of this work is to refresh our performance audit programme for the period 2013 to 2016, reflecting current risks, issues and areas which are important to citizens and where we can provide added value. It is our intention to issue a revised Performance Audit Programme in late 2013 reflecting our assessment of the areas that will be the subject of future audits.

SUPPORT AND ASSISTANCE TO THE PAC AND THE LEGISLATIVE ASSEMBLY

Our unique reporting relationship with the Public Accounts Committee provides the opportunity for promoting effective management and greater accountability of public resources.

During 2012/13, the PAC met a number of times with the Office in attendance, and held two public meetings to discuss and gather further evidence on our reports.

Subsequent to general election in May 2013 and formation of a new Government, a new PAC has been formed with new members. The OAG looks forward to working with the new committee to support them in their role of holding Government accountable for the use of public resources.

SUPPORT SERVICES TO HAZARD MANAGEMENT CAYMAN ISLANDS

Our Office continues to work and support Hazard Management Cayman Islands by participating within the National Emergencies Operations Centre and keeping up our training in the event of a disaster.

The Office provides personnel to help with the Support Services Cluster group of the National Emergencies Operations Centre. Audit Principal, Martin Ruben is the Support Services cluster manager with oversight of the following sub-committees: Joint Communication Services, Continuity of Operations, Resource Support, and Essential Relief Services/International Aid Management. The sub-committees are made up of personnel with designated responsibilities from various Ministries, Portfolios, Government agencies and the private and voluntary sectors. The Deputy Auditor General, Garnet Harrison is Deputy Chairman of the Support Services cluster group and Chairman of the Essential Relief Services/International Aid Management.

Mr. Ruben and Mr. Harrison participated in the annual hurricane simulation exercise held on 3 and 4 June 2013.

In addition, several OAG staff members are trained to use the Logistics Support System (LSS) to track international aid donated to the Cayman Islands Government and report back to donors on its use.

COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

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 help overcome resistance and remove barriers to improvement.

During 2012/13 the Auditor General and the OAG team met and consulted with a large number of stakeholders. We provided advice on many issues to various parts of government around areas including financial accounting, procurement, governance and program management. Specific activities undertaken included:

- Meeting with the Chief Officers and Chief Financial Officers from across government regarding their financial statements
- Actively participating and supporting the Deputy Governor's initiative to improve the financial reporting of Government
- Acting as an advisor to the Deputy Governor's working group on procurement
- Maintaining strong working relationships with key partners such as the Commission for Standards in Public Life and private sector audit firms.

REGIONAL AND INTERNATIONAL WORK

The OAG is a member of CAROSAI (Caribbean Organisation of Supreme Audit Institutions) which works to support and enhance the role of public audit offices throughout the region. CAROSAI's mission is "... to serve its members in

promoting best auditing practices and good governance through collaboration and mutual support".

CAROSAI relies significantly on the contribution of its membership to support its activities. The OAG is a proactive member looking to support the development of public sector audit in the region, while learning from other audit agencies to enhance our skills and knowledge.

During the year, CAROSAI held its triennial Congress in Trinidad and Tobago, and celebrated its 25th Anniversary. The Auditor General is the chair of the CAROSAI Regional Institutional Strengthening Committee and, at the Congress, was elected to the Executive Council. During the year, the OAG supported and took part in a number of CAROSAI activities:

- A member of the OAG team provided training and support to our colleagues in St. Lucia in the use of audit software.
- Implementation of the International Standards of Supreme Audit Institutions (ISSAIs) auditing standards.
- Attended the CAROSAI congress to further develop the strategic aims and goals to support the strengthening of independent public sector audit offices in the region.

During the year the OAG was also granted observer status on the Council of Canadian Legislative Auditors (CCOLA). The benefit of this arrangement cannot be understated as it provides the Office with access to information, knowledge and practitioners in a jurisdiction that is well regarded for the quality of its public sector audit. Members of the OAG attended the financial audit symposium in January 2013 and performance audit symposium in April 2013.

These symposiums provided opportunities to learn about good practices and current developments in public sector audit.

OTHER ACTIVITIES

The Auditor General, as required under the Anti-Corruption Law, is a member of the Anti-Corruption Commission. The work of the OAG provides opportunities where it can support the work of the Commission in its investigations. Staff members worked collaboratively with the Commission throughout the year.

Further information on the Anti-Corruption Commission can be found on their website: <http://www.anticorruptioncommission.ky>

In early 2012, the Auditor General was appointed as a Director on the Auditors Oversight Authority as a result of the passing of the Auditor Oversight Law. The Authority is charged with the regulation of auditors of market traded entities (listed on European exchanges). The Authority is still in process of putting in place the arrangements for it to effectively carry out its remit.

The Auditor General also continued to act in an advisory capacity to the working group established by the Deputy Governor to make recommendations on a new framework for public procurement. The working group completed its report in early 2013.

OUR PEOPLE

The Senior Management Team



**Garnet Harrison,
Deputy Auditor
General, CA**

Responsible for managing the OAG's corporate affairs and audits contracted out to the audit firms



**Patrick Smith, Audit
Principal, CPA ,CFE**

Responsible for managing our in-house financial audit practice



**Martin Ruben, Audit
Principal, CGA**

Responsible for managing our performance audit practice and communications

The Auditor General is responsible and accountable for the overall management of the OAG, and he is supported by a senior management team who oversee the day to day operations of the OAG, with each member taking responsibility for a specific area.

The senior management team was supported during the year by a team of 12 auditors and 2 administrative staff. Our auditors are all fully qualified members of professional accountancy bodies, with the exception of one who is working towards their professional designation.

Staff performance is managed through our performance management process. This process sets objectives, assesses performance and helps identify areas for development or training needs for professional development. All staff are provided with suitable training opportunities to ensure continual professional development, including an annual update on developments in auditing and accounting.

The ethics and independence of the OAG staff is critical to the Office's success. All members of staff are required annually to confirm compliance with the Code of Conduct and register conflicts of interest. The conflict of interests register is available for public inspection and senior management declarations are posted on the website.

OUR ORGANISATION

LEADING BY EXAMPLE

As the watchdog for reporting on how scarce public resources are used, it is beholden upon us to lead by example. We must ensure that how we are governed and managed is transparent, accountable, complies with the principles of good governance, and promotes the standards expected of those involved in public life.

During the year we continued to work openly and transparently, promoting good governance, and upholding and promoting the standards expected of those in public life. We continued to work in a manner that embraced our three core values of independence, professionalism and accountability.

During 2012/13, the OAG focused on

OAG Three Core Values

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.

consolidating the developments and significant changes that had occurred in the previous two years. We continued on delivering the goals outlined in our strategic plan, including:

- Reporting our performance through our annual report and accounts
- Ensuring our internal controls enabled us to comply with relevant legislative requirements
- Reviewing, maintaining and developing our internal policies
- Proactively disclosing key information about the OAG
- Maintaining and developing our website and opening a Facebook page.

In 2011/12 we commenced work on the development of a performance management framework, which when completed would include measures and indicators against which our performance could be measured. During late 2012, the International Organisation of Supreme Audit Institutions (INTOSAI) published a draft performance management framework for public audit offices, which is now in the process of being finalised.

The INTOSAI performance management framework provides a clear and appropriate framework for reporting the performance of the OAG. Therefore, we decided to implement this framework over the next couple of years rather than continue developing our own.

INDEPENDENCE OF THE OAG

On 22 December 2011, the United Nations General Assembly passed a resolution *“Promoting the efficiency, accountability, effectiveness and transparency of public administration by strengthening supreme audit institutions”*. Through this resolution, the General Assembly expressly recognized the importance of the independence of public audit offices and that countries should continue to work to strengthen the independence and capacity of their public audit institutions.

The independence of the OAG is fundamentally important to the effective discharge of our constitutional responsibilities, and is an area which we continued to face ongoing challenges during the fiscal year.

During the year, we experienced further constraints on our financial and operational independence. Our annual spending budget was once again imposed on us by the Government without any strategic consideration of our needs and despite not having the legislative responsibility for it.

These actions directly impacted our operational independence and significantly increased the challenges of effectively delivering the mandate of the OAG at a time when the demands on resources were increasing. Ultimately it led to delaying some of our planned performance audit work.

Despite these challenges, we continue to move forward the agenda of strengthening the independence of the OAG. Over the next year, we will continue to:

- Work with the PAC and Government to influence the introduction of new Auditor General legislation
- Communicate and educate stakeholders on the role, functions and independence of the OAG through various mechanisms, including presentations, publications and our website
- Work with Government to resolve financial and operational constraints that could affect our independence.

CONTINUOUS DEVELOPMENT OF OUR PROFESSIONAL PRACTICE

We are required to carry out our work in compliance with International Standards on Auditing (ISAs). In November 2012, as a member of CAROSAI, we made a commitment to implement International Standards of Supreme Audit Institutions (ISSAIs) which expand on the ISAs for application in the audit of government entities. The OAG has in recent years always paid due regard to the ISSAIs, however, we are now integrating these standards in our audit methodology.

During the year, we continued to develop our financial and performance audit practices to ensure that they are risk based and focused on the issues that matter. This work focused on the development of our audit documentation software, and more recently in commencing the project to fully implement ISSAIs.

We continued to implement our learning and development plan, within our budgetary constraints, to ensure:

- we meet our professional development obligations,

- provide our team with appropriate skills and tools, and
- support effective succession planning.

We had to again delay the full implementation of our new quality assurance framework due to budgetary constraints. During the coming year, we will plan to move this initiative forward as its full implementation is required to meet our obligations under professional standards. However, this will be challenging without additional resources and could be delayed again.

The focus for the coming year will be the implementation of the ISSAIs and the development of policies, procedures, methodology and audit tools to support their effective implementation.

DEVELOPING THE CAPACITY OF THE OAG

With respect to the resources and skills necessary within the OAG, it is essential that we have appropriately skilled and trained people to effectively deliver our mandate. Outside of the core financial audit skills that are well developed within the OAG, additional capacity is required for performance and information technology audit.

During the year, we looked at developing capacity from two perspectives. Firstly, we ensured that our staff maintained and enhanced their skills so the OAG meets its professional obligations around staff development. Secondly, we reviewed the overall resource needs of the OAG to enable the effective delivery of our mandate.

With respect to developing the capacity of our staff, a number of activities were undertaken

during the year which should enhance the skills necessary to support the delivery of our mandate. These included:

- all staff attended finance professional development week which provided updates on auditing and accounting standards, performance auditing, as well wider issues such as governance and ethics. The OAG was a significant driver in the development of this first ever finance professional development week for public sector officials
- one OAG staff member successfully completed the Certificate in International Public Sector Financial Reporting
- one staff member successfully completed Leadership Cayman
- one member of staff successfully completed Certified Information Systems Auditor training
- three staff members commenced training for ISSAI implementation
- participation by staff in the training courses provided by the Civil Service College.

The OAG is an approved employer of the Association of Chartered Certified Accounts (ACCA), recognizing the opportunities that the OAG provides to team members for professional development who are ACCA qualified.

In terms of our overall capacity to deliver our mandate, our analysis indicates that we are reaching a stage where we have to make some critical decisions about what areas of our mandate we can continue to deliver and how we address the challenges of meeting our professional standards.

In these difficult economic times, the challenges of ensuring the OAG has the appropriate capacity are significant and we will continue to engage with the relevant stakeholders to ensure, to the greatest extent possible, that our mandate is not compromised.

OUR RESOURCES

This section provides a summary and analysis of our use of financial, human and capital resources. The full audited accounts of the OAG are in the next section of the report and details of the outputs delivered are in Appendix 3.

FINANCIAL SUMMARY

	2012/13 Actual	2012/13 Original/Final Budget	Actual Variance From Final Budget \$000	Actual Variance From Final Budget %
Revenue				
Audit services to Public Accounts Committee	502	650	(148)	(23%)
Audit services to other government agencies	1,726	1,938	(212)	(11%)
Total revenue	2,228	2,588	(360)	(14%)
Expenses				
Personnel costs	1,683	1,752	69	4%
Operating expenses	389	498	109	22%
Depreciation	14	14	-	0%
Total expenses	2,086	2,264	178	8%

More detailed financial information is contained in our financial statements (see pages 27-50).

During 2012/13, our revenue from PAC was significantly under budget as we billed PAC \$148k less than budget. This was due to less work being undertaken by the Office as we were requested to achieve savings in our expenditures and therefore less work was carried out by consultants on our behalf for performance audit work. Revenue from other Government agencies was also under budget by 11% as a result of not completing the backlog of work for the entire public sector financial statement audits.

Our total expenses were under budget by \$178k or 8%. We also achieved a 4% savings in personnel costs as a result of not filling one audit project leader position for the year. The biggest savings in operating expenses from budget was for professional fees as we did not use as much time to deliver our performance audit work (see Professional Services and Consultants listed below).

It should be noted that the revenue and expenses detailed above do not include the audits undertaken on behalf of the Office by the private sector audit firms. If these audits were accounted for through the

Office's financial statements revenue and expenditure would both increase by over \$400k. The Office is trying to address this issue to ensure that there is full accountability for the cost of public sector audit. However this has proved challenging in the recent budget process and the status quo will remain until it can be achieved in a sustainable way.

At 30 June 2013, the Office has a cash and cash equivalents balance of \$365k (30 June 2012: \$1.2m). Cash and cash equivalents balance has decreased significantly over the past year as a result of paying back the surpluses achieved in prior years. As a result, the Office's surplus payable as at 30 June 2013 is \$619k (30 June 2012: \$1.267m). The other significant balance in the statement of financial position is the accounts receivable and work in progress balance of \$649k (30 June 2012: \$485k). The significant increase in the accounts receivable balance is due to the election in May 2013 as Public Accounts Committee was dissolved in March 2013 and did not get reconstituted until July 2013. The accounts receivable balances are owed to the Office from government ministries, portfolios, statutory authorities and government companies and are expected to be collected.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2012/13 are disclosed below in bands of CI\$5,000 in line with the recommendations of the Information Commissioners Office.

Post	Remuneration	Remuneration	Benefits	Benefits
	2012/13	2011/12	2012/13	2011/12
	\$000	\$000	\$000	\$000
Auditor General	130 to 135	130 to 135	30 to 35	25 to 30
Deputy Auditor General	105 to 110	110 to 115	25 to 30	25 to 30
Audit Principal – Financial Audit	90 to 95	90 to 95	15 to 20	15 to 20
Audit Principal – Performance Audit	95 to 100	100 to 105	10 to 15	15 to 20

Remuneration includes salary, allowances and any additional remuneration paid during the financial year. Allowances paid during the year were acting, duty, and motor car upkeep allowances. Benefits include pension, health care insurance, and air fare for compassionate leave payments during the financial year.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs(\$)
Gibson Dunn	Governance Audit Legal Advice	44,764
Campbells	Legal Advice	9,782
Consultant Performance Auditor	Governance Audit	30,171
Consultant Performance Auditor	Governance Audit	11,545
Consultant Performance Auditor	Management of Air Ambulance Services Audit	10,570
Deloitte and Touche	Information Technology Audit	19,100
Baker Tilly (Cayman) Ltd.	OAG Financial Statement Audit	14,260
Trans4M	Human Resources Consultant	8,980

During the year we engaged a number of professional firms and individual consultant performance auditors to support our audit work, and in the case of Baker Tilly (Cayman) Ltd. to undertake the financial statement audit of the OAG. We engaged consultants to carry out our performance audit work as staff continued to focus on the audits of financial statements. This situation is unlikely to change significantly unless we are able to increase the number of staff and build capacity for performance auditing to negate the need to use consultants.

Deloitte and Touche were engaged to undertake information technology and security audits of the core financial systems underpinning the financial statements of Government to enable us to effectively opine on the Government consolidated financial statements and meet professional auditing standards. The systems were the main accounting system, and the Customs, Immigration and General Registry systems.

FINANCIAL PERFORMANCE RATIOS

Ratio	2012/13	2012/13	Annual Variance
	Actual	Original / Final Budget	
	%	%	%
Current Assets: Current Liabilities (Working Capital)	135	115	20
Total Assets: Total Liabilities	135	116	19

These ratios indicate that we were able to meet all our current obligations as at 30 June 2013. The working capital position at year end was better than anticipated due to the significant pay down of the surplus payable from prior years and an increase in accounts receivable balance.

PHYSICAL CAPITAL MEASURES

Measure	2012/13 Actual	2012/13 Original/Final Budget	Annual Variance
Value of total assets	\$1,039,000	\$2,073,000	(\$1,034,000)
Asset replacements: total assets	0%	N/A	-
Book value of assets: initial cost of those assets	18%	20%	(2%)
Depreciation: cash flow on asset purchases	0%	N/A	-
Changes to asset management policies	None	None	-

Total assets were significantly less than budget due to the decrease in the cash position (\$1.045m) created by the pay down of surplus payable (\$790k) and a smaller surplus than expected (under budget by \$182k). During the 2012/13 budget process we were informed we would not be able to make any capital asset purchases during the fiscal year.

The book value of assets: initial cost of those assets was under budget by 2% as a result of not disposing of any capital assets during the year as anticipated in the budget.

HUMAN CAPITAL MEASURES

Measure	2012/13 Actual	2012/13 Original / Final Budget	Annual Variance
Total full time equivalent staff employed at 30 June	18	19	(1)
Staff turnover (%)			
Managers	0%	20%	(20%)
Professional and technical staff	0%	21%	(21%)
Clerical and labourer staff	0%	0%	0%

Average length of service (number of years in current position)

Managers	8	5	3
Professional and technical staff	4.5	3	1.5
Clerical and labourer staff	5	5	-

Changes to personnel management system: No changes to personnel management system

We had no turnover during the year at the manager level which resulted in a variance of 20% as we anticipated one resignation. At the Audit Project Leader (professional and technical staff) position, we

had no employees resign during the year which resulted in a variance of (21%) as we anticipated three resignations. For clerical and labourer staff, we had no resignations which were in line with our expectations. At year end, one Audit Project Leader position remained not filled.

PROFILE OF OAG STAFF

As at 30 June 2013 the OAG has a diverse staffing profile with seven nationalities represented.

Nationality	Senior Management	Auditor	Administrative
Caymanian	-	1	2
British	1	-	-
Canadian	2	1	-
Jamaican	-	2	-
Barbadian	1	2	-
Kenyan	-	3	-
Filipino	-	3	-

In terms of gender we presently have twelve male and six female members of staff

Gender	Senior Management	Auditor	Administrative
Female	-	4	2
Male	4	8	-

ANNUAL ACCOUNTS



Financial Statements

30 June 2013

Office of the Auditor General Cayman Islands

Statement of Responsibility for Financial Statements

These financial statements have been prepared by the Office of the Auditor General in accordance with the provisions of the *Public Management and Finance Law (2012 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2012 Revision)*.

As Auditor General and Deputy Auditor General, we are jointly responsible for the preparation of the Office of the Auditor General's financial statements and for the judgements made in them.

As Auditor General and Deputy Auditor General, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Office of the Auditor General.

The financial statements fairly present the financial position, financial performance and cash flows of the Office of the Auditor General for the financial year ended 30 June 2013.

To the best of our knowledge we represent that these financial statements:

- a) completely and reliably reflect the financial transactions of the Office of the Auditor General for the year ended 30 June 2013;
- b) fairly reflect the financial position as at 30 June 2013 and the performance for the year ended 30 June 2013;
- c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

Baker Tilly Cayman conducts an independent audit and expresses an opinion on the accompanying financial statements. Baker Tilly Cayman has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General



Garnet Harrison, CA
Deputy Auditor General &
Freedom of Information Manager

DATE: 8 October 2013

DATE: 8 October 2013



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Office of the Auditor General (the "Office") which comprise the statement of financial position at 30 June 2013, the related statements of financial performance, changes in net assets/equity and cash flows for the year then ended, and the notes to the financial statements as presented on pages 27 to 50 of the annual report.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General at 30 June 2013 and its financial performance, changes in net assets/equity and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

Baker Tilly (Cayman) Ltd.

Baker Tilly (Cayman) Ltd.

8 October 2013

Grand Cayman, Cayman Islands

Office of the Auditor General Cayman Islands

Statement of Financial Position

As at 30 June 2013

(in Cayman Islands Dollars)

2011/12 Actual \$000		Note	2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Variance from Original Budget \$000
	Current Assets				
1,206	Cash and cash equivalents	1	365	1,410	(1,045)
485	Accounts receivable & work in progress	2	649	625	24
1	Prepayments		2	15	(13)
1,692	Total Current Assets		1,016	2,050	(1,034)
	Non-Current Assets				
37	Property, plant and equipment	3	23	23	-
37	Total Non-Current Assets		23	23	-
1,729	Total Assets		1,039	2,073	(1,034)
	Current Liabilities				
67	Accounts payable and accruals	4	20	111	(91)
109	Employee entitlements	5	114	85	29
1,267	Surplus payable	6	619	1,591	(972)
1,443	Total Current Liabilities		753	1,787	(1,034)
1,443	Total Liabilities		753	1,787	(1,034)
286	Net Assets		286	286	-
	Net Assets/Equity				
(579)	Contributed capital*	7	(721)	(903)	182
865	Accumulated surpluses		1,007	1,189	(182)
286	Total Net Assets/Equity		286	286	-

* See Statement of Changes in Net Assets/Equity on page 29

The accounting policies and notes on pages 31 to 50 form part of these financial statements

Office of the Auditor General Cayman Islands

Statement of Financial Performance

Year Ended 30 June 2013

(in Cayman Islands Dollars)

2011/12 Actual		2012/13 Actual	2012/13 Original/Final Budget	2012/13 Variance from Original Budget	
\$000	Note	\$000	\$000	\$000	
Revenue					
575	Audit services provided to Public Accounts Committee	8	502	650	(148)
2,153	Audit services provided to other government agencies	8	1,726	1,938	(212)
2,728	Total Revenue		2,228	2,588	(360)
Expenses					
1,745	Personnel costs	9	1,683	1,752	69
484	Operating expenses	10	389	498	109
22	Depreciation	3	14	14	-
2,251	Total Expenses		2,086	2,264	178
477	Net Surplus for the period		142	324	(182)

The accounting policies and notes on pages 31 to 50 form part of these financial statements.

Office of the Auditor General Cayman Islands
Statement of Changes in Net Assets/Equity
Year Ended 30 June 2013
(in Cayman Islands Dollars)

<i>2011/12</i> <i>Actual</i>			2012/13 Contributed Capital (Note 7)*	2012/13 Accumulated Surpluses / (Deficits)	2012/13 Total Net Assets / Equity	2012/13 Total Net Assets/Equity Original/Final Budget	2012/13 Total Net Assets/Equity Variance From Original Budget
\$000	Note	\$000	\$000	\$000	\$000	\$000	\$000
275	Opening Balance		(579)	865	286	286	-
477	Net surplus for the period			142	142	324	(182)
(477)	Repayable of net surplus	6, 7	(142)	-	(142)	(324)	182
11	Contributed goods and services	7	-	-	-	-	-
286	Closing balance		(721)	1,007	286	286	-

** Contributed capital includes amounts contributed by the Cayman Islands Government to the Office of the Auditor General, less any distributions payable back to the Cayman Islands Government, including amounts repayable in respect of surpluses achieved.*

The accounting policies and notes on pages 31 to 50 form part of these financial statements.

Office of the Auditor General Cayman Islands

Cash Flow Statement

As at 30 June 2013

(in Cayman Islands Dollars)

2011/12 Actual \$000		Note	2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Variance from Original Budget \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
884	Audit services provided to Public Accounts Committee		317	463	(146)
2,077	Audit service provided to other government agencies		1,747	1,985	(238)
Payments:					
(1,720)	Personnel costs		(1,678)	(1,775)	97
(454)	Operating expenses		(437)	(469)	32
787	Net cash flows generated from operating activities	13	(51)	204	(255)
CASH FLOWS FROM INVESTING ACTIVITIES					
(7)	Purchase of non-current assets		-	-	-
(7)	Net cash flows (used in) investing activities		-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
-	Repayment of surplus	6	(790)	-	(790)
-	Net cash flows (used in) financing activities		(790)	-	(790)
780	Net increase in cash and cash equivalents		(841)	204	(1,045)
426	Cash and cash equivalents at beginning of year		1,206	1,206	-
1,206	Cash and cash equivalents at end of year	1	365	1,410	(1,045)

The accounting policies and notes on pages 31 to 50 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 30 June 2013

(in Cayman Islands Dollars)

BACKGROUND INFORMATION

The Office of the Auditor General (the “Office”) was established under the Cayman Islands (Constitution) (Order) 1993 under Section 55B and was re-established under the new Cayman Islands Constitution Order 2009 Section 114 as an independent public office. Its mandate and responsibilities are prescribed in sections 58 to 69 of the *Public Management and Finance Law (2012 Revision)* (“PMFL”). The main source of revenue is from audit services provided to the Cayman Islands Government (“the Government”). The Office is dependent on this source of income to continue in operation for the foreseeable future. Some of the audit services are undertaken by private sector auditors appointed by the Auditor General.

The Office of the Auditor General is located on the Third Floor, Anderson Square, Shedden Road, George Town, Grand Cayman. As at 30 June 2013, the Office had 18 employees (2012: 18).

GENERAL ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (“IPSAS”) issued by the International Federation of Accountants and its International Public Sector Accounting Standards Board using the accrual basis of accounting.

There are no known accounting standards that have been adopted by the IPSAS Board for use in future years that will have a significant impact on these financial statements other than enhanced disclosures.

These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars using the historical cost basis of accounting.

REPORTING PERIOD

The reporting period is the twelve months ended 30 June 2013.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BUDGET AMOUNTS

The 2012/13 original budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statement presentation. The 2012/13 original budget was presented in the 2012/13 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on 29 August 2012. There was no 2012/13 supplemental budget submitted for approval to the Legislative Assembly as the amount appropriated from the Legislative Assembly did not change.

JUDGEMENT AND ESTIMATES

The preparation of financial statements in conformity with IPSAS requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period that is affected by those revisions. As at 30 June 2013 and 30 June 2012, no reliable fair value estimate of contributed goods and services provided to the Office by Government entities could be made and therefore no estimated amounts are recorded in these financial statements.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES

ASSETS

Cash and cash equivalents

Cash and cash equivalents include cash held in bank accounts in the name of the Office of the Auditor General maintained with the Royal Bank of Canada in the Cayman Islands.

Accounts Receivable

Accounts receivable are recognised initially at fair value and are subsequently measured at amortised cost less a provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Office will not be able to collect all amounts due according to the original terms of the receivables. Significant delays in payments are considered indicators that the receivables may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of financial performance. When accounts receivable are deemed uncollectible, they are written-off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written-off are recognised in future periods as revenue in the year in which it is collected.

Work in Progress

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

Property, Plant and Equipment

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

- Furniture and fittings 6.66% (15 years) to 20% (5 years)
- Computer Equipment 33.33% (3 years)
- Office Equipment 10% (10 years) to 33.33% (3 years)
- Leasehold Improvements Over the term of the lease

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

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

LIABILITIES

Accounts Payable

Accounts payable are recognised initially at fair value and subsequently measured at amortized cost.

Employee Benefits

a) Annual Leave entitlement

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

b) Pension Obligations

Pension contributions for employees of the Office are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both employer and employee contributions. Pension contributions are included in personnel costs in the statement of financial performance. In 2012/13 and 2011/12 all employees of the Office belonged to the defined contribution plan.

Surplus Payable

Pursuant to the *Public Management & Finance Law (201 Revision)* section 39 (3)(f) the Office may "retain such part of its net operating surplus as is determined by the Minister of Finance". When surpluses arise these are booked as a payable to the Cayman Islands Government, unless the Minister of Finance directs that the surplus can be retained.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTED CAPITAL

Contributed capital relates to initial working capital and start up cash provided to the Office, equity injections for fixed asset acquisitions that are funded by the Cayman Islands Government and contributed goods and services provided by Cayman Islands Government entities to the Office less any surpluses repayable.

REVENUE

Audit services revenue

The Office derives its revenue from the Public Accounts Committee (“PAC”) and other government entities for audit services provided according to the provisions in the PMFL. These services are defined in the PMFL, which includes financial statement audit work, other assurance work and performance audits undertaken on the initiative of the Auditor General or at the request of the Legislative Assembly or any of its committees or subcommittees. Audit services revenue is recognised in the accounting period in which it is earned.

EXPENSES

General

Expenses are recognised when incurred on the accrual basis of accounting. In addition, an expense is recognised for the consumption of the estimated fair value of contributed goods and services received, when an estimate can realistically be made.

Depreciation

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

Operating Leases

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

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

FOREIGN EXCHANGE

Monetary assets and liabilities denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the statement of financial position date. Revenue and expense items denominated in foreign currencies are translated into Cayman Islands dollars at the exchange rate prevailing on the transaction date. Gains and losses on translation are included in the statement of financial performance.

NOTE 1: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include a non-interest bearing operating and payroll account held in the name of the Office of the Auditor General at the Royal Bank of Canada in the Cayman Islands.

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Actual vs. Original Budget \$000
1,206	Bank accounts	365	1,410	(1,045)
1,206	Total cash and cash equivalents	365	1,410	(1,045)

Explanation of major variances against the original budget and prior year actual:

Cash and cash equivalents decreased from budget by \$1,045k and from prior year actual by \$841k due to the Office paying back \$790k in surpluses achieved in previous years and having less of a surplus by \$182k than what was anticipated for the 2012/13 year and negative cash flows (\$51k) from its operating activities as indicated in the Cash Flow Statement. See also note 13 for reconciliation of operating surplus to cash flows from operating activities.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS

2011/12 Actual		2012/13 Actual	2012/13 Original/Final Budget	2012/13 Actual vs. Original Budget
\$000		\$000	\$000	\$000
-	Audit services to PAC (accounts receivable)	187	180	7
38	Audit services to PAC (work in progress)	36	45	(9)
205	Audit services to other government entities (accounts receivable)	310	225	85
242	Audit services to other government entities (work in progress)	116	175	(59)
485	Total gross accounts receivable & work in progress	649	625	24
-	Less: provision for doubtful debts	-	-	-
485	Total net accounts receivable & work in progress	649	625	24

Aging Analysis of Accounts Receivable & Work in Progress

2011/12 Actual	Accounts receivable & work in progress	2012/13 Actual	2012/13 Original/Final Budget	2012/13 Actual vs. Original Budget
\$000		\$000	\$000	\$000
280	Current (WIP)	152	220	(68)
91	Past Due 1-30 days	110	405	(295)
38	Past Due 31-60 days	95	-	95
42	Past Due 61-90 days	63	-	63
34	Past Due 91-180 days	149	-	149
-	Past Due 181-360 days	80	-	80
-	361 + Days	-	-	-
485	Total	649	625	24

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS (CONTINUED)

Explanation of major variances against the original budget and prior year actual:

Accounts receivable & work in progress for audit services provided to PAC: The Office expected PAC to have outstanding balances (over budget by \$7k) at year end due to the election. This resulted in accounts receivable balances being \$187k greater than the prior year due to PAC not meeting and approving invoices in the latter half of the year. The work in progress was in line with the prior year actual and only under budget by \$9k. For budget purposes the accounts receivable were not aged; therefore work in progress was classified as current and the accounts receivable amounts have been classified in the 1-30 days.

Accounts receivable & work in progress for audit services provided to other government entities: The Office was expecting to have a slight increase in accounts receivables from other government entities in the current year due to the election causing reorganization of Government, but did not expect to have as large a balance owing from other government entities as compared to budget (\$85k increase) and prior year actual (\$105k increase). The Office had a significantly lower work in progress from the prior year (\$126k) and budget (\$59k) due to the Office's clearing the back log of financial statements in 2011/12 and IT audit work conducted at year end. For budget purposes the accounts receivable were not aged; therefore work in progress was classified as current and the accounts receivable amounts have been classified in the 1-30 days.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings \$000	Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000	Original/Final Budget \$000	Actual vs. Original Budget \$000
<u>Cost</u>							
At July 1, 2011	55	28	31	4	118	121	(3)
Additions	11	-	7	-	18	13	5
Disposals	-	-	(9)	-	(9)	(8)	(1)
At June 30, 2012	66	28	29	4	127	126	1
<u>Accumulated Depreciation</u>							
At July 1, 2011	36	18	23	-	77	75	2
Accumulated depreciation on disposals	-	-	(9)	-	(9)	(8)	(1)
Depreciation charge for the year	10	5	6	1	22	19	3
At June 30, 2012	46	23	20	1	90	86	4
Net Book Value at June 30, 2012	20	5	9	3	37	40	(3)
<u>Cost</u>							
At July 1, 2012	66	28	29	4	127	127	-
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(12)	(12)
At June 30, 2013	66	28	29	4	127	115	(12)
<u>Accumulated Depreciation</u>							
At July 1, 2012	46	23	20	1	90	90	-
Accumulated depreciation on disposals	-	-	-	-	-	(12)	(12)
Depreciation charge for the year	5	3	5	1	14	14	-
At June 30, 2013	51	26	25	2	104	92	(12)
Net Book Value at June 30, 2013	15	2	4	2	23	23	-

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

The Office did not have any additions in property, plant and equipment as a result of a directive received from Government during the budgeting phase that no capital purchased could be made and therefore no computer disposals were made in 2012/13. All other items were in line with budget.

In 2011/12, the Office recognised \$11k in additional furniture and fixtures that was not recognised in previous years; therefore additions were \$5k greater than budgeted. All other items were in line with budget.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Actual vs. Original Budget \$000
49	Trade creditors	6	93	(87)
18	Accruals	14	18	(4)
<u>67</u>	Total	<u>20</u>	<u>111</u>	<u>(91)</u>

Explanation of major variances against the original budget and prior year actual:

Trade creditors: The Office budgeted to have trade creditors' payable of \$93k versus the actual amount of \$6k, which resulted in a variance of \$87k under budget. We had anticipated several invoices may need to be delayed in payment as we anticipated our receivables to increase as a result of the election and Public Accountants Committee not functioning and therefore unable to pay its bills. The decrease of \$43k in Office trade creditors over the prior year was primarily due to professional fees owing to our consultants conducting IT audit work at year-end of \$39k.

Accruals: The Office budgeted to have accruals of \$18k versus the actual amount of \$14k, which resulted in a variance of \$4k under budget and \$4k less than the actual from prior year due to audit fees being less than anticipated as a result of tendering out the audit and getting a reduced fee.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2011/12 Actual	Current employee entitlements are represented by:	2012/13 Actual	2012/13 Original/Final Budget	2012/13 Actual vs. Original Budget
\$000		\$000	\$000	\$000
67	Annual leave	91	55	36
42	Time off in Lieu	23	30	(7)
109	Total employee entitlements	114	85	29

Explanation of major variances against the original budget and prior year actual:

Actual annual leave was \$36k greater than budget and \$24k greater than last year's actual due to employees not being able to take as much annual leave as anticipated in order to complete performance audits and the clearance of backlog of financial statement audits prior to year end and reduced staff numbers from budget. However, time off in lieu decreased by \$19k over last year's actual as senior management encouraged employees to reduce their time off in lieu, which also reflected favourably in a \$7k decrease from budget.

NOTE 6: SURPLUS PAYABLE

2011/12 Actual		2012/13 Actual	2012/13 Original/Final Budget	2012/13 Actual vs. Original Budget
\$000		\$000	\$000	\$000
1,267	Surplus payable	619	1,591	(972)
1,267	Total	619	1,591	(972)

Explanation of major variances against the original budget and prior year actual:

The Office budgeted to have a surplus in 2012/13 due to the continuation of clearing the back log of financial statements and Government restricting our expenditure amounts in comparison to what we could have earned. During 2012/13 the Office paid back \$790k in surpluses we had achieved for the following years \$50k for the year ending 30 June 2005, \$46k for the year ending 30 June 2007, and \$694k for the year ending 30 June 2011. The current year surplus of \$142k and the prior year surplus of \$477k remain outstanding as a surplus payable to the Cayman Islands Government in the amount of \$619k (30 June 2012: \$1,267k).

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 7: CONTRIBUTED CAPITAL

Pursuant to the 2012/13 and 2011/12 Annual Budget of the Cayman Islands Government, goods and services provided between core government entities would not incur a cost. The Office received goods and services from other core government entities during the current year and prior year with no charge. Management was unable to estimate the fair value of these contributed goods and services due to the lack of accounting systems to track the costs of these transactions in accordance with IPSAS 23 – Revenue from non-exchange transactions (taxes and transfers).

Services provided to the Office include human resource services, financial support services, legal services, computer hardware & systems support services, and software licensing fees.

In 2011/12 an increase of \$11k was recognised in contributed capital for assets previously not recognised in the financial statement.

2011/12		2012/13	2012/13	2012/13
Actual		Actual	Original/Final	Actual vs.
\$000		\$000	Budget	Original Budget
			\$000	\$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections	404	404	-
181	Contributed goods & services (2010/11)	181	181	-
(1,267)	Repayment of surpluses	(1,409)	(1,591)	182
(579)	Total contributed capital	(721)	(903)	182

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 8: REVENUE

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Actual vs. Original Budget \$000
	Revenue			
575	Audit services provided to Public Accounts Committee	502	650	(148)
2,153	Audit services provided to other government agencies	1,726	1,938	(212)
2,728	Total revenue	2,228	2,588	(360)

Explanation of major variances against the original budget and prior year actual:

The PAC was billed \$502k, which was significantly lower than the appropriation amount approved by the Legislative Assembly. During the 2012/13 Government requested that we achieved expenditure savings and therefore not as many performance audit consultants were hired as anticipated, which impacted our revenue negatively from budget. Audit services provided to PAC were \$73k less than the prior year amount as our performance audit mandate was limited during the year.

The 2012/13 amount for audit services provided to other government agencies decreased by \$427k from the prior year and \$212k from budget. We were anticipating less revenue earned as a result of the significant clearing of the back log of financial statements in 2011/12.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 9: PERSONNEL COSTS

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Actual vs. Original Budget \$000
1,476	Salaries & allowances (including employee pension contributions)	1,406	1,410	(4)
184	Health insurance	198	220	(22)
79	Employer pension expense	77	79	(2)
6	Other personnel costs	2	43	(41)
1,745	Total personnel costs	1,683	1,752	(69)

Explanation of major variances against the original budget and prior year actual:

Salaries & allowances: Salaries were under budget by \$4k and were significantly less than the 2011/12 fiscal year by \$70k. The difference from the prior year actual was due to one fewer employee over the majority of the year.

Health insurance: Health insurance benefits were \$22k less than budget as we anticipated changes in employee status, which would have changed the premium rates. However, health insurance benefits increased by \$14k over the prior year due to the increase in premiums charged by CINICO.

Other personnel costs: The Office had savings from budget (\$41k) in other personnel costs as a result of no staff turnover during the fiscal year. Therefore the Office did not incur expenses for recruitment.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 10: OPERATING EXPENSES

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Actual vs. Original Budget \$000
125	Operating leases	128	125	3
238	Professional fees	85	195	(110)
1	Legal Fees	54	28	26
19	Utilities	25	28	(3)
20	Other goods and services	18	30	(12)
12	Training	18	21	(3)
18	Travel & subsistence	16	14	2
18	Audit Fees	15	21	(6)
19	Software licensing fees	12	21	(9)
10	Janitorial services	10	11	(1)
2	Insurance	4	4	-
2	Computer hardware maintenance	4	-	4
484	Total operating expenses	389	498	(109)

Explanation of major variances against the original budget and prior year actual:

Operating Leases: The Office occupies leased property on the third floor, Anderson Square, Shedden Road, George Town. The lease was extended for five years commencing on 1 July 2009 and ending on 30 June 2014. The details of the amounts committed in respect of this lease are included in Note 11. At the end of this lease, the Office is required to give 6 months notice to the Landlord if a new lease is to be negotiated at that time. The lease has an option to renegotiate a five year extension at the market rental rate.

During 2012/13, the Office leased five parking spots on a month to month basis for its employees.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 30 June 2013

(in Cayman Islands Dollars)

NOTE 10: OPERATING EXPENSES (CONTINUED)

Explanation of major variances against the original budget and prior year actual (continued):

Professional Fees: Professional fees were under the original budget by \$110k as a result of limiting our hiring of external consultants to conduct performance audits as Government requested savings to be achieved by the Office.

The 2012/13 actual amount was significantly lower by \$153k than the prior year due to less consultant's time being used to carry out performance audits and IT audits.

Legal Fees: Legal fees were \$26k over budget and \$53k over prior year actual as we required additional independent legal advice for our performance audits.

Other goods and services: During 2012/13, the Office spent \$18k (30 June 2012: \$20k) on other goods and services. We were under budget by \$12k as we were attempting to reduce expenditures and managed to keep the current year's expenditures in line with the actual spending from the prior year.

Travel & Subsistence: During 2012/13, the Office spent \$16k (30 June 2012: \$18k) on travel and subsistence. This included business related trips to: Brussels, - IPSAS conference; Cayman Brac – financial statement audit; London - meetings with the UK National Audit Office; Montreal – Canadian Council of Legislative Auditors (CCOLA) – financial statement symposium and public accounts forum; Suriname – CAROSAI regional meeting of Auditors General in respect of ISSAI implementation; Trinidad – CAROSAI IX Congress collaboration to promote best audit practices; and Toronto – CCOLA performance audit symposium. Some of the costs were reimbursed by supporting organizations.

(2011/12: Antigua – IDI planning seminar on risk based auditing; Antigua – CAROSAI regional Auditor General's meeting; Cayman Brac – financial statement audit; Grenada – IDI training course on risk based audit; Jamaica – CAROSAI strategic planning meeting; Japan – INTOSAI capacity building meeting; London - Department of Tourism and Maritime Authority audit; and New York – Department of Tourism audit. Some of the costs were reimbursed by supporting organizations.)

Software Licensing Fees: Software licensing fees were under budget by \$9k, due to not upgrading certain audit software and were less than prior year actual by \$7k as work was undertaken by a firm to redevelop our website in 2011/12.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 11: COMMITMENTS

The Office has a non-cancellable accommodation lease with Anderson Square Development Ltd. During the fiscal year Beaufort Investment purchased the building and the lease was transferred to the new owners. At 30 June 2013 there is one year remaining on the lease, which carries an operating commitment of \$125k (30 June 2012: \$250k).

NOTE 12: CONTINGENT LIABILITIES

At 30 June 2013, there are no quantifiable and non-quantifiable contingent liabilities (30 June 2012: no contingent liabilities) and therefore no contingent liabilities have been provided for within these financial statements.

NOTE 13: RECONCILIATION OF NET SURPLUS TO CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Original/Final Budget \$000	2012/13 Actual vs. Original Budget \$000
477	Net Surplus	142	324	(182)
	Non-cash movements			
22	Depreciation	14	14	-
53	Increase/(decrease)in payables/accruals	(42)	20	(62)
233	Decrease/(increase) in receivables	(164)	(140)	(24)
2	Decrease/(increase) in prepayments	(1)	(14)	13
787	Net cash flows from operating activities	(51)	204	(255)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 14: RELATED PARTY TRANSACTIONS

The Office is controlled by the Cayman Islands Government and therefore government ministries, portfolios, statutory authorities, government companies and other government offices are considered related parties. As indicated in the approved 2012/13 and 2011/12 Annual Budget Statement of Government, there were no inter-agency charges between core government entities, except for audit services revenue. As a result, the Office was unable to make an estimate of the fair value of these contributed goods and services received for the 2012/13 and 2011/12 fiscal years as described in note 7.

KEY MANAGEMENT PERSONNEL

There are four senior managers in the Office. Their remuneration includes: regular salary, pension contributions, health insurance contributions, acting and duty allowance, and motor car upkeep. Total remuneration for senior management in 2012/13 was \$517k (2011/12: \$530k). There were no loans made to key management personnel or their close family members in 2012/13 (2011/12: \$0).

NOTE 15: FINANCIAL RISK MANAGEMENT

The Office is exposed to a variety of financial risks including credit risk and liquidity risk. The Office's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed as required by the Financial Regulations (2010 Revision).

CREDIT RISK

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

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

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

The Office is also exposed to a significant concentration of credit risk in relation to accounts receivable, all of which are due from other Government entities. No credit limits have been established. As at 30 June 2013 and 2012, no provision for doubtful debts has been established as none of these assets are impaired and management considers these debts to be recoverable in full. Notwithstanding the concentration risk in relation to accounts receivable, management does not consider the Office to be exposed to significant credit risk as all of the counterparties are other government entities.

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

LIQUIDITY RISK

Liquidity risk relates to the Office's ability to meet its payment obligations associated with its financial liabilities when they are due.

The ability of the Office to meet its debts and obligations is dependent upon its ability to collect the debts outstanding in a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, paying creditors on their due dates, and if the circumstances required it to obtain funding from Government to temporarily fund any shortfalls, the Office would have with its own cash flows. As at 30 June 2013 and 2012, all of the financial liabilities were due within three months of the year end dates.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2013
(in Cayman Islands Dollars)

NOTE 16: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 30 June 2013 and 2012, the carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable, employee entitlements, and surplus payable upon demand approximate their fair value due to their relative short-term maturities.

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

APPENDIX 1 – ENTITIES AUDITED BY THE AUDITOR GENERAL

Under the PMFL the Auditor General is responsible for carrying out the audits of all public sector entities. With respect to the annual financial statements audit of a number of statutory authorities and government companies the audit work is carried out on his behalf by private sector audit firms. The following list provides details of all the individual public sector entities that require to be audited by the Auditor General, and who carried out the audits on his behalf.

Entity		Auditor
Office of the Complaints Commissioner		Office of the Auditor General
Portfolio of Internal and External Affairs		Office of the Auditor General
Cabinet Office		Office of the Auditor General
Portfolio of the Civil Service		Office of the Auditor General
Portfolio of Legal Affairs		Office of the Auditor General
Judicial Administration		Office of the Auditor General
Office of the Director of Public Prosecutions		Office of the Auditor General
Information Commissioners Office		Office of the Auditor General
Ministry of Finance, Tourism and Development	Financial Services	Office of the Auditor General
	Public Finance	Office of the Auditor General
	Tourism and Development	Office of the Auditor General
Ministry of Health, Environment, Youth, Sports and Culture		Office of the Auditor General
Ministry of District Administration, Works, Lands and Agriculture		Office of the Auditor General
Ministry of Education, Training and Employment		Office of the Auditor General
Ministry of Community Affairs, Gender and Housing		Office of the Auditor General
Cayman Airways Limited		PWC
Cayman Islands Airport Authority		Office of the Auditor General
Cayman Islands Development Bank		Office of the Auditor General
Cayman Islands Monetary Authority		Office of the Auditor General
Cayman Islands National Museum		KPMG
Cayman National Cultural Foundation		KPMG
Cayman Islands Stock Exchange		Deloitte

Entity	Auditor
Cayman Turtle Farm (1983) Ltd.	KPMG
Children & Youth Services Foundation	Office of the Auditor General
CINICO	PWC
Civil Aviation Authority	Office of the Auditor General
Electricity Regulatory Authority	Office of the Auditor General
Health Services Authority	Office of the Auditor General
Information and Communications Technology Authority	Office of the Auditor General
Maritime Authority of the Cayman Islands	Office of the Auditor General
National Drug Council	Office of the Auditor General
National Gallery of the Cayman Islands	PWC
National Housing Development Trust	Office of the Auditor General
National Roads Authority	Office of the Auditor General
Port Authority of the Cayman Islands	Office of the Auditor General
Public Service Pensions Board	Office of the Auditor General
Segregated Insurance Fund	Office of the Auditor General
Sister Islands Affordable Housing Development Corporation	Office of the Auditor General
Tourism Attractions Board	Office of the Auditor General
University College of the Cayman Islands	Office of the Auditor General
Water Authority of the Cayman Islands	KPMG

APPENDIX 2 - REPORTS ISSUED AND IN PROGRESS DURING 2012/13

Reports Issued during 2012/13

Report	Date of Issue	Summary
Financial and Performance Reporting – Progress update as at October 2012	12 October 2012	The report focuses on the status of financial accountability reporting in the Cayman Islands Government as at October 2012. The report is an update on six previous reports issued by the Office of the Auditor General on this subject; the latest being December 2011. The report assesses financial reporting in government entities and at the consolidated level.
Restoring Financial Accountability: A Time for Change?	13 June 2013	The report to the Legislative Assembly discusses several concerns the Auditor General has in how the Government currently manages and reports on its use of public funds and how senior managers could benefit from taking a fresh look at how they manage public finances. The report provides a number of general recommendations for Government to consider to get its house in order.
Financial and Performance Reporting – Statutory Authorities and Government Companies for the year ending 30 June 2011	13 June 2013	The report provides an overview of the results of the audits conducted of the financial statements and discusses the significant findings that have been reported to the various entities. The Auditor General indicates that there has been continued progress in the timeliness and quality of the financial statements his auditors have been getting from the 26 government owned entities.
Management of Air Ambulance Services	13 June 2013	The Auditor General highlights a number of concerns about how air ambulance services are managed by the various agencies involved including the unlicensed operation of a ground handling service for air ambulances operating at Owen Roberts International Airport.

Reports in Progress as at 30 June 2013

Report	Summary
Governance – How Government Works	This report will provide information about the benefits and principles of good governance and why strong governance should be important to Caymanians. It will provide a description of the current governance framework in the Cayman Islands as set out in the Constitution, legislation and regulations, the context in which it is applied and how it is designed to yield results for the people of the Cayman Islands.
Governance – Building Better Government	The report will examine whether the governance framework for core government is being applied in practice and whether it meets good governance principles for public organisations, as appropriate for the Cayman Islands.
Governance – Statutory Authorities and Government Companies – Are they Accountable	The report will examine the governance relationship between core government and statutory authorities and government companies. It will consider whether statutory authorities and government companies are meeting the constitutional and legislative requirements for accountability to core government and whether these arrangements meet good governance standards, as appropriate for the Cayman Islands.
Governance – Survey of Statutory Authorities and Government Companies	The report analyses the results of a survey of the governance arrangements in place at statutory authorities and government companies, and provides information on the state of governance in this key sector of the Cayman Islands Government.
Governance Case Study – Save the Mortgage Programme	A case study of the governance arrangements for the Save the Mortgage Programme.
Nation Building Programme	The report will provide details of how Government managed the Nation Building Programme.
Management of Travel and Hospitality	Review of how core government manages travel and hospitality expenditure.
Information Technology	The report will provide a summary of the findings of the detailed reports on the information technology control and security environment for key systems impacting on the financial management of the core Government.

APPENDIX 3 – OUTPUTS DELIVERED 2012/13

The outputs delivered in 2012/13 to the PAC as per the Annual Budget Statement for the OAG.

AUD 2	Investigations and Reports	
<p>Description Audit reports and advice to Public Accounts Committee (PAC) and other Legislative Committees relating to the following:</p> <ul style="list-style-type: none"> • 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 • Other matters of public interest as determined by the Auditor General 		
Measures	2012/13 Actual	2012/13 Budget
<p>Quantity</p> <ul style="list-style-type: none"> • Number of reports issued to the Legislative Assembly • Number of audits in progress / partial reports at year end 	<p>4 8</p>	<p>3-6 1-3</p>
<p>Quality</p> <ul style="list-style-type: none"> • Issued reports are reviewed and signed off by Audit Manager and/or Auditor General • Request client's comments on the draft reports and amend the final report if necessary • Report recommendations are agreed to by PAC (actual not tracked) 	<p>100% 100% N/A</p>	<p>100% 100% 80-100%</p>
<p>Timeliness</p> <ul style="list-style-type: none"> • All audit reports become public documents within one week of submission to the Speaker of the Legislative Assembly. • All reports are publicly available through the website within two days after becoming a public document. 	<p>0% 100%</p>	<p>100% 100%</p>
<p>Location Cayman Islands: Office of the Auditor General, 3rd Floor Anderson Square, George Town, and Client premises (local & international)</p>	<p>100%</p>	<p>100%</p>
<p>Cost (of producing the Output)</p>	<p>\$560,018</p>	<p>\$625,000</p>
<p>Price (paid by PAC for the output)</p>	<p>\$493,454</p>	<p>\$625,000</p>
<p>Related Broad Outcome: 9. Restoring Prudent Fiscal Management</p>		

AUD 8	Support Services to the National Hurricane Committee and Hazard Management	
Description		
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.		
Measures	2012/13 Actual	2012/13 Budget
Quantity		
<ul style="list-style-type: none"> Number of Memo of Understandings (MOU) updated Number of training sessions provided/attended on LSS Number of Hazard Management Plan Report updated Number of relief support services provided through the National Emergency Operations Centre due to a disaster 	<p>0</p> <p>0</p> <p>1</p> <p>0</p>	<p>3</p> <p>1</p> <p>1</p> <p>1</p>
Quality		
<ul style="list-style-type: none"> MOUs are prepared by senior management and agreed and signed off by the Auditor General LSS training evaluation rated as good to very good by the participants Hazard Management Plan prepared in accordance with the Hazard Management Cayman Islands standards Relief support services provided to the standards required by Hazard Management Cayman Islands 	<p>N/A</p> <p>N/A</p> <p>100%</p> <p>N/A</p>	<p>100%</p> <p>80-100%</p> <p>100%</p> <p>80-100%</p>
Timeliness		
<ul style="list-style-type: none"> MOU signed off by mid-June LSS training session held in May Hazard Management Plan submitted by 31st of May Relief Support services provided within two days of the disaster 	<p>0%</p> <p>0%</p> <p>100%</p> <p>N/A</p>	<p>100%</p> <p>100%</p> <p>100%</p> <p>90-100%</p>
Location		
Cayman Islands	100%	100%
Cost (of producing the Output)	\$7,987	\$25,000
Price (paid by PAC for the output)	\$8,347	\$25,000
Related Broad Outcome		
9. Restoring Prudent Fiscal Management		

Contact us

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Complaints

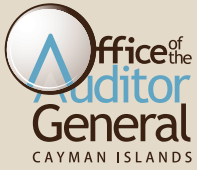
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Garnet Harrison at our address, telephone or fax number or alternatively email: garnet.harrison@oag.gov.ky

Freedom of Information

For freedom of information requests please contact Garnet Harrison at our address, telephone or fax number. Or alternatively email: foi.aud@gov.ky

Media enquiries

For enquiries from journalists please contact Martin Ruben at our phone number or email: Martin.Ruben@oag.gov.ky



October 2013