


Annual Report

30 June 2014





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 2014. This annual report completes the accountability cycle that began when the Office published its 2013/14 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.

2013/14 marked the 30th anniversary of the Office of the Auditor General but more significantly was a year of change in the Cayman Islands with a new Government and a new Governor. Such change creates the opportunity for the public service to take stock and consider how it can manage and deliver its services more effectively and efficiently, and move forward on a path of continuous improvement. This also provides the OAG with renewed impetus to influence and support government positively in how it manages its services and resources.

2013/14 has seen positive developments and increased desire on behalf of the public service to move forward and work with the OAG. Our working relationship with senior officers in government is built on a solid base and is becoming increasingly co-operative. Whilst the independence of the OAG is fundamentally



important to its effectiveness and credibility, the importance of working with government officials cannot be understated in achieving improvement in the delivery and management of public services and the efficient use of resources.

Auditors are in my experience inherently risk adverse and very aware of the need to maintain their independence. However, as public sector auditors, we need to keep pushing the envelope to have a greater impact by carrying out a greater variety of value added activities. In practical terms I see this as meaning the following:

- Assisting Government officials with their efforts to improve public service by providing informal advice and participating on improvement task forces etc.

- Undertaking audit work on major projects and programmes earlier in their lifecycle so that we can have a positive impact before they are completed.

Both of these increase the risks for the OAG, but I believe that we should be able to manage these risks and create the opportunity for the OAG to have even more impact.

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. We will also examine how we can have further impact through our work, and focus on promoting the value and benefits of our independent work.

The core activities of the OAG continued to be the audit of the financial statements, focused performance auditing, and support of the activities of Hazard Management Cayman Islands.

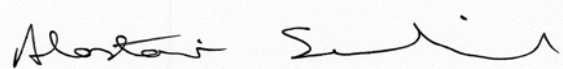
The Office’s ability to achieve its objectives depends on the efforts of many people.

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 government officials 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 contribute 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 provided.



Alastair Swarbrick, MA(Hons), CPFA
Auditor General
6 October 2014

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 integrity and spent appropriately. Public bodies and those responsible for conducting their affairs must discharge this accountability by establishing and maintaining proper governance arrangements and effective stewardship of the resources at their disposal.

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing 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 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.

WHO WE ARE AND WHAT WE DO

For the parliamentary system of government to work properly, it must have the public's confidence. To merit this confidence, the Government's programs must be effective, open, and accountable to the public. One important responsibility of the Legislative Assembly is to hold the Government accountable for its management of public resources.

The Office of the Auditor General contributes to the accountability process as the auditor of the Government including all of its agencies. The Office helps the Assembly hold the Government accountable for how it manages public resources by undertaking: financial statement audits across public sector entities; and performance audits which promote the efficient, effective and economic use of public resources across public sector entities.

The work and reports of the Office affect public confidence in the Government. They provide legislators and the public with critical information on whether the Government's financial and other reports are reliable, the Government uses effective processes to safeguard the resources with which it is entrusted (public resources), and the Government has complied with governing laws, regulations and other relevant authorities.

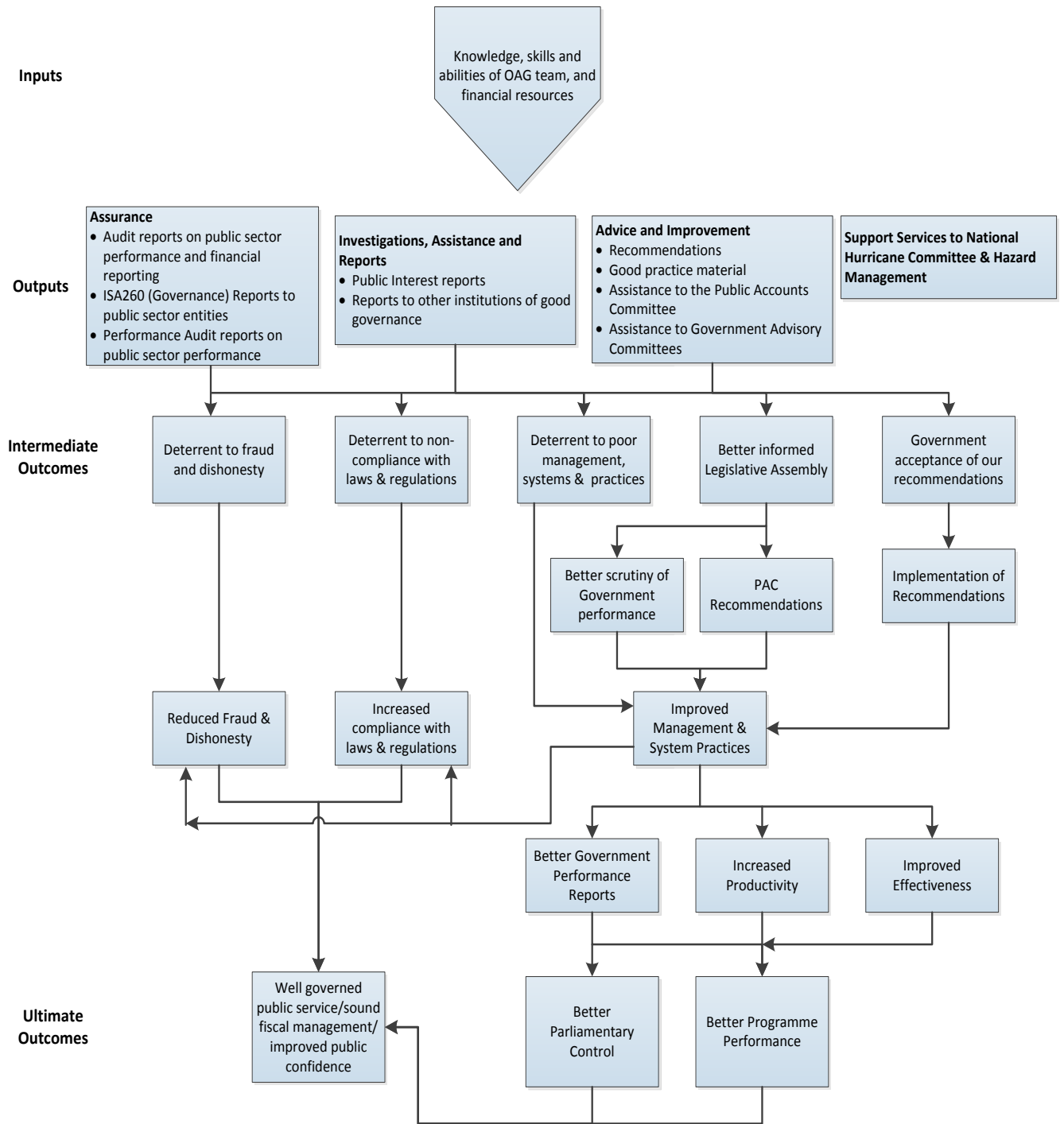
Also, the Office:

- Makes recommendations for improvements to the Government's management of public resources and compliance with authorities
- Encourages discussion and debate about public sector management and accountability issues
- Assists the Public Accounts Committee (PAC) in carrying out its mandate
- Develops professionals for the public service
- Supports and adheres to the professional assurance standards as published by the International Audit and Assurance Standards Boards and the International Organisation of Supreme Audit Institutions
- Provides support services to Hazard Management Cayman Islands.

The work and reports of the Office contribute to informed decision making in government and business-like processes. This, in turn, helps the Government carry out its responsibility to use sound management practices.

Exhibit 1 shows the broader picture of the Office's outputs and outcomes.

Exhibit 1 – OAG Delivery Model



OUR STRATEGY

Our 2013/14 Budget Submission to the Legislative Assembly set out our strategic ownership goals. Our strategic plan for the period 2011 to 2013, set out four over-arching strategic objectives, which are in line with the Strategic Ownership Goals. These are:

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

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

During the year we commenced work on a new strategic plan, including redefining our vision, mission and core values. We intend to publish our new strategic plan in late 2014.

Exhibit 2 - 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.

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.

Independence of the OAG: The Auditor General is a statutorily independent watchdog of government spending and has freedom of action in the work that he 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 *PSML*, which enable Government to constrain the financial and operational independence of the OAG. There is a need to enhance the independence of the OAG, to ensure its work cannot be compromised by Government, it has the resources to deliver its mandate and to change perceptions about its independence.

OUR WORK

“A lack of transparency results in distrust and a deep sense of insecurity”

Dalai Lama

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, enhance financial management and the quality of information that government entities use to make decisions.

In 2013/14, we carried out financial audits of 43 individual entities (see Appendix 1) and on the consolidated financial statements of Government. During this period, there continued to be a small backlog of audited financial statements and annual reports to be tabled in the Legislative Assembly. The backlog has decreased significantly in the last three years due to the significant work of my Office and Government. 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 2012/13 financial statements and clear the remaining backlog. We issued in total 47 (2012/13: 48) financial statement audit opinions on individual entities during the year. Of these 26 were for the most recent year (2012/13: 26). As at 30 June 2014 there were 21 (2012/13: 24) audits outstanding, of which a further six have been completed as at the date of this report.

We continue to see improvements in the quality and timeliness of entity financial statements. 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 the years 2008/09 to 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 2014, we had issued disclaimers of opinion on the 2008/09 and the 2010/11 EPS financial statements, and were in the process of finalizing the 2009/10 EPS financial statements. The Government is currently undertaking further work on the 2011/12 and the 2012/13 EPS financial statements to address some of the issues that had resulted in disclaimers of opinion in the prior years.

IMPACT OF OUR WORK

Our work is having an impact as the timeliness and quality of financial reporting is improving. However, this is all still relative to the situation that has been experienced in terms of financial reporting. There is still a way to go before

financial accountability is fully restored and the Government has reliable and timely financial information for accountability and 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 provide good 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. During the year eight audits were 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 and ISSAI 30, the code of ethics for Supreme Audit Institutions. 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, and we issued six reports: five on various aspects of Governance; and a report on the Management of Travel and Hospitality.

As at 30 June 2014 we were working on five performance audits that will be reported over the coming months. These include:

Management of Land; Nation Building Fund; Major Capital Projects – Schools; Management of Social Benefits Payments; and, Governance of the three aviation related agencies.

Further details of the reports issued and those in progress can be found at Appendix 2.

During the financial year we also developed 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.

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.

Subsequent to general election in May 2013 and formation of a new Government, a new PAC was formed.

During 2013/14, the PAC met a number of times with the Office in attendance, and held one public meeting to discuss and gather further evidence on our reports.

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 11 and 12 June 2014.

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 2013/14 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:

- Leading the organization of the Government Professional Development Week.
- Auditor General spoke at the UCCI conference about corruption.



Auditor General speaking at the UCCI conference on corruption

- Meeting with Chief Officers and Board Members to discuss strengthening Governance across the public service.
- Supporting the committee appointed to review the PMFL.
- Engaging with the Chamber of Commerce.



Auditor General meeting with the Chamber of Commerce

- Consulting with the community on our future performance audits.
- Maintaining strong working relationships with key partners such as the Anti-Corruption Commission, the Financial Crimes Unit, 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.

The Auditor General is a member of the CAROSAI Executive Council and chair of the CAROSAI Regional Institutional Strengthening Committee. During the year, the OAG supported and took part in a number of CAROSAI activities:

- Implementation of the International Standards of Supreme Audit Institutions (ISSAIs) auditing standards.
- Represented CAROSAI at meetings of OLACEFs (the equivalent regional organization for Latin America)

The OAG has observer status on the Council of Canadian Legislative Auditors (CCOLA).



The Auditor General with the Legislative Auditors from across Canada (CCOLA annual conference)

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 annual conference in August 2013, the financial audit symposium in January 2014 and performance audit symposium in April 2014.

Members of staff attended a conference in London hosted by the UK National Audit Office and the Foreign and Commonwealth Office in January 2014 for the auditors and PAC members from Overseas Territories to discuss areas of mutual interest and develop a network to provide mutual support.

In March 2014 the Auditor General attended the triennial conference of Commonwealth Auditors General in Malta to discuss common issues affecting audit offices across the commonwealth and the implementation of the recent communique from the Commonwealth Heads of Government Meeting (CHOGM), in Sri Lanka which included support for strengthening the independence of public audit offices.

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 intersects with that of the Commission and staff members from the OAG have 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 of 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 continues to put in place the arrangements for it to effectively carry out its remit.

The Auditor General has also acted in an advisory capacity to the committee established by the Minister of Finance to review the Public Management and Finance Law.

OUR PEOPLE

The Senior Management Team



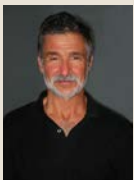
**Garnet Harrison,
Deputy Auditor
General, CA**

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 a 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 Government professional development week.

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 OAG website (<http://www.auditorgeneral.gov.ky/registerofinterests>).

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.

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.

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.

In 2013/14, the OAG focused on 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 Facebook pages.

In the second half of the year we commenced work on a new strategic plan, including a performance management framework. When completed this will provide a clear plan for the next three years and include measures and indicators against which our performance can be measured. The performance management framework will be based on the International Organisation of Supreme Audit Institutions (INTOSAI) performance management framework which provides a clear and appropriate framework for reporting the performance of the OAG.

Towards the end of the year we also undertook a competitive procurement for the financial statement audits we contract out to the firms. As a result of this exercise audits were awarded to four audit firms for the three and half years commencing the year ending 30 June 2014.

In January 2014 the Office held its second workplace walk off challenge in conjunction with the Information Commissioner's Office. This promoted exercise and healthy lifestyle as part of overall wellness, and culminated in a treasure hunt in central George Town, which

was supported by the Deputy Governor. The Office considers the wellness of its staff as very important and as part of its current strategic planning process will be considering how this can be further promoted within the Office and more widely.



Walk Office Challenge 2014: The Deputy Governor with the staff of the OAG and the Information Commissioner's Office, at the end of the Treasure Hunt in George Town

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 communique from the CHOGM meeting in November 2013 also recognized the importance of public audit offices, stating *“Heads of Government recognised the contribution that strong, properly resourced and independent supreme audit institutions play in improving transparency, accountability and value for money to ensure that public funds are appropriately spent”*.

The independence of the OAG is fundamentally important to the effective discharge of our constitutional responsibilities, and is an area which we continue to face ongoing challenges particularly in respect of our financial and operational independence.

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, our website and Facebook
- 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 into 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 manuals and documentation software, building in the requirements of 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

We again delayed the full implementation of our quality assurance framework due to budgetary constraints. During the coming year, we will work to address this issue, as its full implementation is required to meet our obligations under professional standards. However, this will be challenging without additional resources.

The focus for the coming year will be the implementation of the ISSAIs and the finalization 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 the Government professional development week which provided sessions on governance, risk management, ethics, fraud and accounting standards. The OAG was again the key driver in the organisation of the professional development week for over 100 public sector officials



During professional development week Martin Ruben, Audit Principal, was honored with a fellowship by the Association of Certified General Accountants. He is pictured here with Graham Clarke (Chief Executive CGA Caribbean), the Auditor General and Her Excellency the Governor Mrs. Helen Kilpatrick shortly after receiving his fellowship

- five staff completed or commenced the Certificate in International Public Sector Financial Reporting
- three staff members continued training for ISSAI implementation
- all staff attended an advanced performance audit course put on by CISPA
- attendance at the UCCI conference on corruption

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 have to make some critical decisions about how we are organized to deliver our mandate, and the resources needed to do so whilst 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.

COMMUNITY INVOLVEMENT

We encourage the staff of the OAG to get involved in community activities on a personal basis.

During 2013/14 OAG staff were involved in running a waterstop for the Cayman Islands Marathon and, for the 13th year running, the registration of swimmers for the Flowers Sea Swim.



OAG Staff at the Flowers Sea Swim

AND FINALLY...

During 2013/14 the OAG celebrated 30 years of service to the Cayman Islands. Throughout the year we undertook a number of activities to promote the work of the OAG and inform the community about our role. In June 2014 Her Excellency the Governor graciously held a reception for the OAG at Government House to celebrate this significant milestone.



OAG staff and guests mingle at the OAG's 30th Anniversary reception at Government House

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

	2013/14 Actual	2013/14 Original/Final Budget	Actual Variance From Final Budget \$000	Actual Variance From Final Budget %
Revenue				
Audit services to Public Accounts Committee	616	650	(34)	(5%)
Audit services to other government agencies	1,437	1,973	(536)	(27%)
Total revenue	2,053	2,623	(570)	(22%)
Expenses				
Personnel costs	1,768	1,778	10	(1%)
Operating expenses	434	557	123	(22%)
Depreciation	12	15	3	(20%)
Total expenses	2,214	2,350	136	(6%)
Net Surplus/(Deficit) for the period	(161)	273	(434)	

More detailed financial information is contained in our financial statements (see pages 29-52).

During 2013/14, our revenue from PAC was 5% under budget as we billed PAC \$34k less than budget. This was due to the timing of the performance audits being undertaken, as there were delays on certain performance audits and challenges in the finalisation of the performance audit reports. Revenue from other Government agencies was significantly under budget by 27% as a result of not completing the backlog of work for the entire public sector financial statement audits and a few other key Ministry financial statements.

We managed our expenses closely during the year and our total expenses were under budget by \$136k or 6%. At the end of May 2014 an announcement was made by the Premier that a 2.5% honorarium would be provided to all civil servants. The Office agreed to pay this honorarium to our staff which increased our personnel costs by \$31k and we therefore only achieved a 1% savings in personnel costs. However, we were able to reduce our operating expenses by 22% from budget which was mainly savings from professional fees (\$59k) as we did not use as much time to deliver our performance audit work (see Professional Services and Consultants listed below) and legal fees (\$38k).

The reported deficit of \$161k was a result of less billable work being undertaken on back-log financial statement audits due to ongoing delays. The Office also took the strategic decision to commit more time towards updating our audit practices and methodology, which was non-billable and resulted in less revenue earned. In previous years we had achieved significant surpluses due to the clearing the back-log of financial statement audit work. Our goal is to break even on a year to year basis.

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 \$500k. 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 2014, the Office has a cash and cash equivalents balance of \$406k (30 June 2013: \$365k). The increase in cash and cash equivalents of \$41k from the prior year is a result of operational cash inflows of \$130k, less outflows of cash for purchases of property, plant and equipment of \$12k and the repayment of previous year's surpluses in the amount of \$77k.

We were able to reduce the accounts receivable and work in progress balance to \$420k at 30 June 2014 (30 June 2013: \$649k). The significant decrease in the accounts receivable balance is due to the PAC and other government entities paying their outstanding balances in a timelier manner. The accounts receivable balances owed to the Office from PAC, government ministries, portfolios, statutory authorities and government companies are expected to be collected.

The Office's surplus payable as at 30 June 2014 is \$Nil (30 June 2013: \$619k). The significant reduction in surplus payable was a result of being able to offset our previous deficits against any years in which we achieved a surplus.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2013/14 are disclosed below in bands of CI\$5,000 in line with the recommendations of the Information Commissioners Office.

Post	Remuneration	Remuneration	Benefits	Benefits
	2013/14	2012/13	2013/14	2012/13
	\$000	\$000	\$000	\$000
Auditor General	125 to 130	130 to 135	30 to 35	30 to 35
Deputy Auditor General	105 to 110	105 to 110	25 to 30	25 to 30
Audit Principal – Financial Audit	95 to 100	90 to 95	20 to 25	15 to 20
Audit Principal – Performance Audit	95 to 100	95 to 100	10 to 15	10 to 15

Remuneration includes salary, allowances, 2.5% honorarium, 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.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs(\$)
Consultant Performance Auditor	Land Management	44,876
Consultant Performance Auditor	Construction of Schools	42,852
Consultant Performance Auditor	Social Benefits Payments	28,333
Consultant Performance Auditor	Governance Audit – 3 SAGCs	24,019
OAG Canada	Practice Methodology Development	14,048
Baker Tilly (Cayman) Ltd.	OAG Financial Statement Auditor	14,020
Campbells	Legal Advice	6,743
Conyers Dill & Pearman (Cayman) Ltd.	Legal Advice	4,886
Trans4M	Human Resources Consultant	2,340
Editor	Report Editing	1,136

During the year we engaged a couple of legal firms to provide us with legal advice. We also contracted with several individual consultants to conduct performance audits on our behalf. The cost of the performance auditors includes payments made directly to the performance auditors and their associated costs (i.e. work permit fees, plane tickets, hotel costs, car rental, etc.). We engage 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.

Baker Tilly (Cayman) Ltd. continues to undertake the financial statement audit of the OAG.

FINANCIAL PERFORMANCE RATIOS

Ratio	2013/14	2013/14	Annual Variance
	Actual	Original / Final Budget	
	%	%	%
Current Assets: Current Liabilities (Working Capital)	451	135	316
Total Assets: Total Liabilities	464	149	315

These ratios indicate that we were able to meet all our current obligations as at 30 June 2014. The working capital position at year end was better than anticipated due to no surplus payable owing at year end.

PHYSICAL CAPITAL MEASURES

Measure	2013/14 Actual	2013/14 Original/Final Budget	Annual Variance
Value of total assets	\$853,000	\$872,000	(\$19,000)
Asset replacements: total assets	1%	8%	(7%)
Book value of assets: initial cost of those assets	17%	61%	(44%)
Depreciation: cash flow on asset purchases	100%	21%	79%
Changes to asset management policies	None	Plan to move into new premises	Did not move into new premise

We were expecting to move into a new location prior to the year end as our lease expired on 30 June 2014. Since that move did not occur, total assets were slightly less than budget (\$19k), which also impacted asset replacements to total assets (7% lower than budget) and the book value of the assets to the initial costs of those assets (44% less than budget). Depreciation to cash flow on asset purchases was 100% as we purchased \$12k worth of assets and our depreciation for the period was \$12k.

HUMAN CAPITAL MEASURES

Measure	2013/14	2013/14	Annual Variance
	Actual	Original / Final Budget	
Total full time equivalent staff employed at 30 June	17	19	(2)
Staff turnover (%)			
Managers	0%	20%	(20%)
Professional and technical staff	17%	23%	(6%)
Clerical and labourer staff	0%	0%	0%

Measure	2013/14 Actual	2013/14 Original / Final Budget	Annual Variance
Average length of service (number of years in current position)			
Managers	9	5	4
Professional and technical staff	6	4	2
Clerical and labourer staff	6	6	-

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 two employees resign during the year which resulted in a variance of (6%) as we anticipated three resignations. For clerical and labourer staff, we had no resignations which were in line with our expectations. At year end, two Audit Project Leader positions remained unfilled.

PROFILE OF OAG STAFF

As at 30 June 2014 the OAG has a diverse staffing profile with seven nationalities represented.

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

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

Gender	Senior Management	Auditors	Administrative
Female	-	4	2
Male	4	7	-



Financial Statements

30 June 2014

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 (2013 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 (2013 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 2014.

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 2014;
- b) fairly reflect the financial position as at 30 June 2014 and the performance for the year ended 30 June 2014;
- 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

DATE: 6 October 2014



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

DATE: 6 October 2014



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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 2014, 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 29 to 52 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 auditors' 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 2014 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.

6 October 2014

Grand Cayman, Cayman Islands

Office of the Auditor General Cayman Islands

Statement of Financial Position

As at 30 June 2014

(Expressed in Cayman Islands Dollars)

2012/13 Actual \$000		Note	2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Variance from Original Budget \$000
	Current Assets				
365	Cash and cash equivalents	1	406	351	55
649	Accounts receivable & work in progress	2	420	425	(5)
2	Prepayments		4	18	(14)
1,016	Total Current Assets		830	794	36
	Non-Current Assets				
23	Property, plant and equipment	3	23	78	(55)
23	Total Non-Current Assets		23	78	(55)
1,039	Total Assets		853	872	(19)
	Current Liabilities				
20	Accounts payable and accruals	4	32	96	(64)
114	Employee entitlements	5	152	75	77
619	Surplus payable	6	-	415	(415)
753	Total Current Liabilities		184	586	(402)
753	Total Liabilities		184	586	(402)
286	Net Assets		669	286	383
	Net Assets/Equity				
(721)	Contributed capital*	7	688	(994)	1,682
1,007	Accumulated surpluses/(Deficits)*		(19)	1,280	(1,441)
286	Total Net Assets/Equity		669	286	241

* See Statement of Changes in Net Assets/Equity on page 31

The accounting policies and notes on pages 33 to 52 form part of these financial statements

Office of the Auditor General Cayman Islands

Statement of Financial Performance

As at 30 June 2014

(Expressed in Cayman Islands Dollars)

2012/13 Actual		2013/14 Actual	2013/14 Original/Final Budget	2013/14 Variance from Original Budget	
\$000	Note	\$000	\$000	\$000	
Revenue					
502	Audit services provided to Public Accounts Committee	8	616	650	(34)
1,726	Audit services provided to other government agencies	8	1,437	1,973	(536)
2,228	Total Revenue		2,053	2,623	(570)
Expenses					
1,683	Personnel costs	9	1,768	1,778	10
389	Operating expenses	10	434	557	123
14	Depreciation	3	12	15	3
2,086	Total Expenses		2,214	2,350	136
142	Net Surplus/(Deficit) for the period		(161)	273	(434)

The accounting policies and notes on pages 33 to 52 form part of these financial statements.

Office of the Auditor General Cayman Islands
Statement of Changes in Net Assets/Equity
Year Ended 30 June 2014
(in Cayman Islands Dollars)

2012/13			2013/14	2013/14	2013/14	2013/14	2013/14
Actual			Contributed	Accumulated	Total Net	Total Net	Total Net
			Capital	Surpluses /	Assets /	Assets/Equity	Assets/Equity
			(Note 7)	(Deficits)	Equity	Original/Final	Variance From
			Restated*	Restated*	Restated*	Budget	Original Budget
\$000	Note		\$000	\$000	\$000	\$000	\$000
286		Opening Balance	688	-	688	286	402
142		Net surplus / (Deficit) for the period	-	(161)	(161)	273	(434)
(142)	6, 7	Repayable of net surplus	-	-	-	(273)	273
-	6	Surplus payable offset against accumulated deficits	-	142	142	-	142
-	7	Contributed goods and services	-	-	-	-	-
286		Closing balance	688	(19)	669	286	383

** The opening balances for 2013/14 have been restated as a result of the Minister of Finance issuing a directive in October 2013 in accordance with section 39 3(f) of the PMFL which directed Ministries/Portfolios and Offices to pay the net accumulated surpluses up to and including the year ended 30 June 2012. Therefore, this changed the way in which we classified the repayment of surpluses. In the prior year repayment of surplus was classified as an offset against contributed capital. As a result of the directive for repayment of net accumulated surpluses it was determined that this should not be offset against contributed capital, but offset against accumulated surpluses/(deficits), which resulted in an opening balance of accumulated surpluses/(deficits) of \$0.*

The accounting policies and notes on pages 33 to 52 form part of these financial statements.

Office of the Auditor General Cayman Islands

Cash Flow Statement

Year Ended 30 June 2014

(in Cayman Islands Dollars)

2012/13 Actual \$000		Note	2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Variance from Original Budget \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
317	Audit services provided to Public Accounts Committee		664	788	(124)
1,747	Audit service provided to other government agencies		1,619	2,059	(440)
Payments:					
(1,678)	Personnel costs		(1,730)	(1,817)	87
(437)	Operating expenses		(423)	(497)	74
(51)	Net cash flows generated from operating activities	13	130	533	(403)
CASH FLOWS FROM INVESTING ACTIVITIES					
-	Purchase of non-current assets		(12)	(70)	58
-	Net cash flows (used in) investing activities		(12)	(70)	58
CASH FLOWS FROM FINANCING ACTIVITIES					
(790)	Repayment of surplus	6	(77)	(477)	400
(790)	Net cash flows (used in) financing activities		(77)	(477)	400
(841)	Net increase in cash and cash equivalents		41	(14)	55
1,206	Cash and cash equivalents at beginning of year		365	365	-
365	Cash and cash equivalents at end of year	1	406	351	55

The accounting policies and notes on pages 33 to 52 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 30 June 2014

(in Cayman Islands Dollars)

BACKGROUND INFORMATION

The Office of the Auditor General (the “Office”) is established under the 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 (2013 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 its operations. 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 2014, the Office had 17 employees (2013: 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 2014.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BUDGET AMOUNTS

The 2013/14 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 2013/14 original budget was presented in the 2013/14 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on 23 October 2013. There was no 2013/14 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 2014 and 30 June 2013, 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 2014
(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 2014
(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 2013/14 and 2012/13 all employees of the Office belonged to the defined contribution plan.

Surplus Payable

Pursuant to the *Public Management & Finance Law (2013 Revision)* section 39 (3)(f) the Office may "retain such part of its net operating surplus as is determined by the Minister of Finance". Under section 67 of the PMFL every reference to a minister is to be interpreted as a reference to Public Accounts Committee (PAC). When surpluses arise these are booked as a payable to the Cayman Islands Government, unless the PAC directs that the surplus can be retained.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(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.

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 2014
(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.

2012/13		2013/14	2013/14	2013/14
Actual		Actual	Original/Final	Actual vs.
\$000		\$000	Budget	Original Budget
			\$000	\$000
365	Bank accounts	406	351	55
365	Total cash and cash equivalents	406	351	55

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

Cash and cash equivalents over budget by \$55k as a result of paying \$400k less in surplus back to Treasury and \$58k less in capital purchases. However, this savings in cash was offset by \$403k less in operational cash inflows from budget, which resulted in an increase of \$55k over budget.

The increase in cash and cash equivalents of \$41k from the prior year is a result of operational cash inflows of \$103k, less outflows of cash for purchases of property, plant and equipment of \$12k and the repayment of previous year’s surpluses in the amount of \$77k. 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 2014
(in Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS

2012/13 Actual		2013/14 Actual	2013/14 Original/Final Budget	2013/14 Actual vs. Original Budget
\$000		\$000	\$000	\$000
187	Audit services to PAC (accounts receivable)	97	40	57
36	Audit services to PAC (work in progress)	78	45	33
310	Audit services to other government entities (accounts receivable)	144	215	(71)
116	Audit services to other government entities (work in progress)	101	125	(24)
649	Total gross accounts receivable & work in progress	420	425	(5)
-	Less: provision for doubtful debts	-	-	-
649	Total net accounts receivable & work in progress	420	425	(5)

Aging Analysis of Accounts Receivable & Work in Progress

2012/13 Actual	Accounts receivable & work in progress	2013/14 Actual	2013/14 Original/Final Budget	2013/14 Actual vs. Original Budget
\$000		\$000	\$000	\$000
152	Current (WIP)	179	170	9
110	Past Due 1-30 days	159	170	(11)
95	Past Due 31-60 days	6	85	(79)
63	Past Due 61-90 days	5	-	5
149	Past Due 91-180 days	24	-	24
80	Past Due 181-360 days	47	-	47
-	361 + Days	-	-	-
649	Total	420	425	(5)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(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:

Actual to budget: the Office expected PAC to have outstanding accounts receivable and work in progress balances of \$85k at year end. However, the balance owing by PAC to the Office was \$90k greater than budget. This increase over budget was a result of more performance audit work being performed in the last two months of the financial year than was anticipated.

Actual to prior year actual: for the year ending 30 June 2014, PAC sat more regularly and approved the Office's bills in a timelier manner which decreased the overall receivable balance from the prior year by \$90k. At the end of 30 June 2013, PAC balances had built up as a result of the election and therefore, PAC did not sit for several months and the Office's bills went unpaid. The work in progress increased over the prior year actual by \$42k due to more performance audit work being performed in June 2014 than June 2013.

Accounts receivable & work in progress for audit services provided to other government entities: The Actual to budget: the Office's accounts receivable and work in progress were \$95k less than budget as a result of less work being done for other government entities than what was anticipated which is consistent with the reduction in actual revenue from other government entities as well.

Actual to prior year actual: accounts receivable and work in progress were \$181k less than the prior year. This reduction was a result of a few factors: 1) less work was done for other government entities which is consistent with the reduction in revenue from other government entities from prior year; 2) in May 2013 there was an election and change in Ministries and Portfolios, which caused delays in bills being paid to the Office; and 3) other government entities paid their outstanding balances in a more timely manner, which is consistent with the aging of the actual receivables to prior year actual.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(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, 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	-
<u>Cost</u>							
At July 1, 2013	66	28	29	4	127	127	-
Additions	-	-	12	-	12	70	(58)
Disposals	-	-	-	-	-	(69)	69
At June 30, 2014	66	28	41	4	139	128	11
<u>Accumulated Depreciation</u>							
At July 1, 2013	51	26	25	2	104	104	-
Accumulated depreciation on disposals	-	-	-	-	-	(69)	69
Depreciation charge for the year	5	1	4	2	12	15	(3)
At June 30, 2014	56	27	29	4	116	50	66
Net Book Value at June 30, 2014	10	1	12	-	23	78	(55)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

In 2013/14, the Office was under budget in both the additions and disposals of property, plant and equipment due to the Office not relocating to another location during the current fiscal year. The lease expired on 30 June 2014 and it was anticipated that the Office would be changing locations prior to the end of the lease. This did not happen and therefore the Office is now on a month-to-month operating lease.

In 2012/13, 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 purchases could be made and therefore no computer disposals were made in 2012/13. All other items were in line with budget.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2012/13 Actual \$000		2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Actual vs. Original Budget \$000
6	Trade creditors	18	82	(64)
14	Accruals	14	14	-
20	Total	32	96	(64)

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

Trade creditors: The Office budgeted to have trade creditors' payable of \$82k versus the actual amount of \$18k, which resulted in a variance of \$64k under budget. We had anticipated having several trade payables at year end in anticipation of the Office relocation, which did not occur during the fiscal year. The increase of \$12k in Office trade creditors over the prior year was primarily due to professional fees owing to our consultants conducting performance audit in June 2014.

Accruals: The Office's accruals have been consistent with budget and the actual from the prior year as the audit fees have remained consistent.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(in Cayman Islands Dollars)

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2012/13 Actual	Current employee entitlements are represented by:	2013/14 Actual	2013/14 Original/Final Budget	2013/14 Actual vs. Original Budget
\$000		\$000	\$000	\$000
91	Annual leave	114	60	54
23	Time off in Lieu	38	15	23
114	Total employee entitlements	152	75	77

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

Actual annual leave was \$54k greater than budget and \$23k 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 continued clearance of backlog of financial statement audits prior to year end and reduced staff numbers from budget. Time off in lieu also increased by \$23k over budget and \$15k from last year's actual due to the same reasons as mentioned above.

NOTE 6: SURPLUS PAYABLE

2012/13 Actual		2013/14 Actual	2013/14 Original/Final Budget	2013/14 Actual vs. Original Budget
\$000		\$000	\$000	\$000
619	Surplus payable	-	415	(415)
619	Total	-	415	(415)

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

The Office budgeted to have a surplus of \$415k at 30 June 2014, which was made up of \$273k budgeted surplus for 2013/14 plus the \$142k surplus from 2012/13.

In October 2013, the Minister of Finance in accordance with section 39 3(f) of the PMFL directed Ministries/Portfolios and Offices to pay the net accumulated surpluses up to and including the year ended 30 June 2012. Therefore, this changed the amount we owed as surplus payable, as the surplus payable was now offset by any deficits of prior years. In 2013/14 we paid \$77k (2012/13: \$790k) in surplus payable reducing our net surplus payable amount to the \$142k, which was the surplus amount achieved in the 2012/13 fiscal year.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(in Cayman Islands Dollars)

NOTE 6: SURPLUS PAYABLE (CONTINUED)

In accordance with section 67 and 39 3(f) of the PMFL, the Public Accounts Committee Chairman has directed the Office to offset the surplus of \$142k for the year ending 30 June 2013 against the deficit of \$161k incurred for the year ending 30 June 2014. Therefore, as at 30 June 2014 the Office has no surplus payable (30 June 2013: \$619k).

NOTE 7: CONTRIBUTED CAPITAL

Pursuant to the 2013/14 and 2012/13 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.

2012/13		2013/14	2013/14	2013/14
Actual		Actual	Original/Final	Actual vs.
\$000		\$000	Budget	Original Budget
		\$000	\$000	\$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections:	404	404	-
	2004/05: \$222k			
	2005/05: \$ 5k			
	2007/08: \$177k			
181	Contributed goods & services (2010/11)	181	181	-
(1,409)	Repayment of Surpluses	-	(1,682)	1,682
(721)	Total contributed capital	688	(994)	1,682

In October 2013, the Minister of Finance in accordance with section 39 3(f) of the PMFL directed Ministries/Portfolios and Offices to pay the net accumulated surpluses up to and including the year ended 30 June 2012. Therefore, this changed the way in which we classified the repayment of surpluses. In the prior year repayment of surplus was classified as an offset against contributed capital. As a result of the directive for repayment of net accumulated surpluses it was determined that this should not be offset against contributed capital, but offset against accumulated surpluses/(deficits).

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(in Cayman Islands Dollars)

NOTE 7: CONTRIBUTED CAPITAL (CONTINUED)

Restatement of contributed capital and accumulated surplus/(deficits)

	Contributed Capital \$000's	Accumulated Surplus/(Deficits) \$000's
Closing Balance, 30 June 2013	(721)	1,007
Adjustment for change in classification for repayment of surpluses	1,409	(1,409)
Adjustment for net accumulated surpluses	-	402
Reclassified opening balance, 1 July 2014	688	-

NOTE 8: REVENUE

2012/13 Actual \$000		2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Actual vs. Original Budget \$000
	Revenue			
502	Audit services provided to Public Accounts Committee	616	650	(34)
1,726	Audit services provided to other government agencies	1,437	1,973	(536)
2,228	Total revenue	2,053	2,623	(570)

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

The Public Accounts Committee (PAC) was billed \$616k, which was \$34k lower than the appropriation amount of \$650k approved by the Legislative Assembly as a result of managing internal staff and consultants work on performance audits not to exceed budget. PAC was billed \$114K more than the prior year as we used more consultants during the year, which generated more revenue; whereas, in 2012/13 Government requested that we achieve expenditure savings and therefore not as many performance audit consultants were hired.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
(in Cayman Islands Dollars)

NOTE 8: REVENUE (CONTINUED)

Audit services provided to other government agencies was \$536k lower than budget and \$289k lower than last year actual as a result of delays in completing the entire public sector audits and a few other entities; therefore, the Office committed more time towards updating our audit practices and methodology, which was non-billable and resulted in less revenue earned.

NOTE 9: PERSONNEL COSTS

2012/13 Actual \$000		2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Actual vs. Original Budget \$000
1,406	Salaries, overtime & allowances (including employee pension contributions)	1,499	1,462	37
198	Health insurance	191	208	(17)
77	Employer pension expense	77	79	(2)
2	Other personnel costs	1	29	(28)
1,683	Total personnel costs	1,768	1,778	(10)

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

Salaries & allowances: Salaries were over budget by \$37k and were \$93k higher than the 2012/13 fiscal year. The increase over budget and prior year actual was a result of the Premier announcing in May 2014 that civil servants would receive a 2.5% honorarium based on their 2013/14 salary, which increased our salaries by \$31k. The remaining increase from budget and prior year actual was due to more duty allowances being paid than expected and for a longer period of time than in the prior year. In addition, the Office paid \$31k more in overtime payments than the prior year.

Health insurance: Health insurance benefits were \$17k less than budget and \$7k less than the prior year as we anticipated changes in employee status, which would have changed the premium rates and the Office worked with a reduced staff level for a good portion of the year.

Other personnel costs: The Office had savings from budget (\$28k) in other personnel costs as a result of no staff turnover that required payments for relocation back to their home countries. In addition, the Office incurred only a nominal amount of expense for recruitment.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
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NOTE 10: OPERATING EXPENSES

2012/13 Actual \$000		2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Actual vs. Original Budget \$000
85	Professional fees	163	222	(59)
128	Operating leases	129	129	-
25	Utilities	25	27	(2)
18	Training	23	22	1
16	Travel & subsistence	23	23	-
18	Other goods and services	18	27	(9)
15	Audit Fees	14	14	-
54	Legal Fees	12	50	(38)
12	Software licensing fees	12	22	(10)
10	Janitorial services	11	13	(2)
4	Insurance	3	4	(1)
4	Computer hardware maintenance	1	4	(3)
389	Total operating expenses	434	557	(123)

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

Professional Fees: Professional fees were under the original budget by \$59k as a result of limiting our hiring of external consultants to conduct performance audits in order to stay within budget.

The 2013/14 actual amount was \$78k higher than last year's actual due more performance audit consultants being hired to carry out performance audits on our behalf.

Operating Lease: The Office occupies leased property on the third floor, Anderson Square, Shedden Road, George Town. The five year lease expired on 30 June 2014 and the Office is now on a month to month lease arrangement with the landlord. The details of the amounts committed in respect of this lease are included in Note 11.

During 2013/14 the Office paid \$3k (2012/13: \$3k) for five parking spots which are leased 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 2014

(in Cayman Islands Dollars)

NOTE 10: OPERATING EXPENSES (CONTINUED)

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

Travel & Subsistence: During 2013/14, the Office spent \$23k (30 June 2013: \$16k) on travel and subsistence. This included business related trips to: Canada – Canadian Council of Legislative Auditor’s (CCOLA) conferences in Regina (general conference with public accounts forum), Victoria (financial statement symposium) and Toronto (performance audit symposium & financial statement audit work); Cayman Brac – financial statement audit work; Chile – OLACEF (Latin American organisation of public audit offices) conference; Honduras – OLACEF - CAROSAI Conference; London – Chartered Institute of Public Finance & Accountancy annual conference, Overseas Territories Auditor General’s Conference and Cayman Islands London Office audit work; Malta – Commonwealth Auditor General’s conference; and Tampa – Association of Local Government Auditors conference. Some of the costs were reimbursed by supporting organizations.

(2012/13: Brussels, - IPSAS conference; Cayman Brac – financial statement audit; London - meetings with the UK National Audit Office; Montreal –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.)

Other goods and services: During 2013/14, the Office spent \$18k (30 June 2013: \$18k) on other goods and services. We were under budget by \$9k as we were attempting to reduce expenditures as a result of the anticipated deficit we were expecting. However, the amount spent in the current year was consistent with the prior year.

Legal Fees: Legal fees were \$38k under budget and \$42k less than the prior year actual as we did not require as much independent legal advice for our performance audits.

Software Licensing Fees: Software licensing fees in line with the prior year actual, but were under budget by \$10k, due to not purchasing an audit software package to help budget and track actual time on audits.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
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NOTE 11: COMMITMENTS

The Office has a non-cancellable accommodation lease with Anderson Square Development Ltd. In 2012/13 Beaufort Investment purchased the building and the lease was transferred to the new owners. At 30 June 2014 there is no operating commitments (30 June 2013: \$125k) as the previous accommodation lease expired and a new lease has not been signed.

NOTE 12: CONTINGENT LIABILITIES

At 30 June 2014, there are no quantifiable and non-quantifiable contingent liabilities (30 June 2013: 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

2012/13 Actual \$000		2013/14 Actual \$000	2013/14 Original/Final Budget \$000	2013/14 Actual vs. Original Budget \$000
142	Net Surplus / (Deficit)	(161)	273	(434)
	Non-cash movements			
14	Depreciation	12	15	(3)
(42)	Increase/(decrease)in payables/accruals	50	37	13
(164)	Decrease/(increase) in receivables	230	224	5
(1)	Decrease/(increase) in prepayments	(1)	(16)	15
(51)	Net cash flows from operating activities	130	533	(404)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2014
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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 2013/14 and 2012/13 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 2013/14 and 2012/13 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 2013/14 was \$522k (2012/13: \$517k). There were no loans made to key management personnel or their close family members in 2013/14 (2012/13: \$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 (2013 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
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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 2014 and 2013, 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 2014 and 2013, 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 2014
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NOTE 16: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 30 June 2014 and 2013, 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 during 2013/14.

Entity		Auditor
Cabinet Office		Office of the Auditor General
Information Commissioners Office		Office of the Auditor General
Judicial Administration		Office of the Auditor General
Ministry of Community Affairs, Gender and Housing		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 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
Office of the Complaints Commissioner		Office of the Auditor General
Office of the Director of Public Prosecutions		Office of the Auditor General
Office of the Premier		Office of the Auditor General
Portfolio of the Civil Service		Office of the Auditor General
Portfolio of Internal and External Affairs		Office of the Auditor General
Portfolio of Legal Affairs		Office of the Auditor General
Auditors Oversight Authority		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

Entity	Auditor
Cayman National Cultural Foundation	KPMG
Cayman Islands Stock Exchange	Deloitte
Cayman Turtle Farm (1983) Ltd.	KPMG
Children & Youth Services Foundation	Office of the Auditor General
CINICO	KPMG
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 2013/14

Reports Issued during 2013/14

Report	Date of Issue	Summary
Financial and Performance Reporting – Progress update as at October 2013	30 October 2013	The report focused on the status of financial accountability reporting in the Cayman Islands Government as at October 2013. The report is an update of previous reports issued by the Office of the Auditor General on this subject; the latest being October 2012. The report assessed financial reporting in government entities and at the consolidated level.
Governance – Key Messages	22 January 2014	Provided the key messages reported in the other four governance reports.
Governance – Describing the Framework:	22 January 2014	Provides information about the benefits and principles of good governance, along with a description of the current governance framework in the Cayman Islands as set out in the Constitution, legislation and regulations. It describes how the governance framework is designed to yield results and provides a strong case for why governance should be important to the people of the Cayman Islands.
Governance – How Core Government Manages Resources	22 January 2014	Reports on whether the governance framework in place is being applied in practice by core government and whether it meets good governance principles for public organizations, as appropriate for the Cayman Islands.
Governance – The Accountability of Statutory Authorities and Government Companies	22 January 2014	Reports on 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 – A Survey of Statutory Authority and Government Company	22 January 2014	Reports the results of a survey of the governance practices being followed by SAGCs, and provides information on the state of governance in this key sector of the Cayman Islands Government.
Management of Travel and Hospitality	9 June 2014	Review of how core government manages travel and hospitality expenditure.

Reports in Progress as at 30 June 2014

Report	Summary
Nation Building Programme	This report will examine whether the payments made from the Nation Building Fund were managed effectively and that there was due regard for value for money, accountability and transparency.
Management of Land	We will examine whether the Cayman Islands Government is adequately managing land use and development to meet the government objectives, both for the Cayman Islands in general and also for Crown Lands in particular. Within this we will examine a sample of cases including the "For Cayman Investment Alliance".
Social Benefits Payments	The audit will examine whether social assistance programmes are strategically managed to achieve intended results and delivered with due regard for value for money
Major Capital Projects Part 2 - Schools	We will examine how the Government has managed major capital projects (including the procurement and financing) and whether due consideration was given to achieving value for money. This will include examination of the completion phase of the high schools, and the primary schools projects.
Governance Review of Cayman Airways, Cayman Islands Airports Authority and the Civil Aviation Authority	The audit will examine the arrangement in place to govern and manage the performance and operations of Cayman Airways efficiently, effectively and economically, and in a manner which is accountable and transparent.
General Report on the Performance and Financial Reporting of Ministries and Portfolios for the Years ending 30 June 2011 and 2012	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 Ministries and Portfolios.
General Report on the Performance and Financial Reporting of Statutory Authorities and Government Companies for the Year ending 30 June 2012	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 Statutory Authorities and Government Companies.

APPENDIX 3 – OUTPUTS DELIVERED 2013/14

The outputs delivered in 2013/14 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	2013/14 Actual	2013/14 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 	7 7	6-8 1-3
<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) 	100% 100% N/A	100% 100% 80-100%
<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. 	0% 100%	100% 100%
<p>Location Cayman Islands: Office of the Auditor General, 3rd Floor Anderson Square, George Town, and Client premises (local & international)</p>	100%	100%
<p>Cost (of producing the Output)</p>	\$606,913	\$625,000
<p>Price (paid by PAC for the output)</p>	\$610,766	\$625,000
<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	2013/14 Actual	2013/14 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>1-2</p> <p>1</p> <p>0-1</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>80-100%</p>
Location		
Cayman Islands	100%	100%
Cost (of producing the Output)	\$6,190	\$25,000
Price (paid by PAC for the output)	\$5,140	\$25,000
Related Broad Outcome		
9. Restoring Prudent Fiscal Management		

Contact us

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Complaints

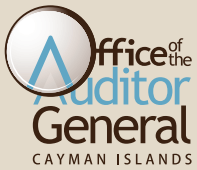
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Garnet Harrison at our address, telephone or fax number or alternatively email: garnet.harrison@oag.gov.ky

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 2014