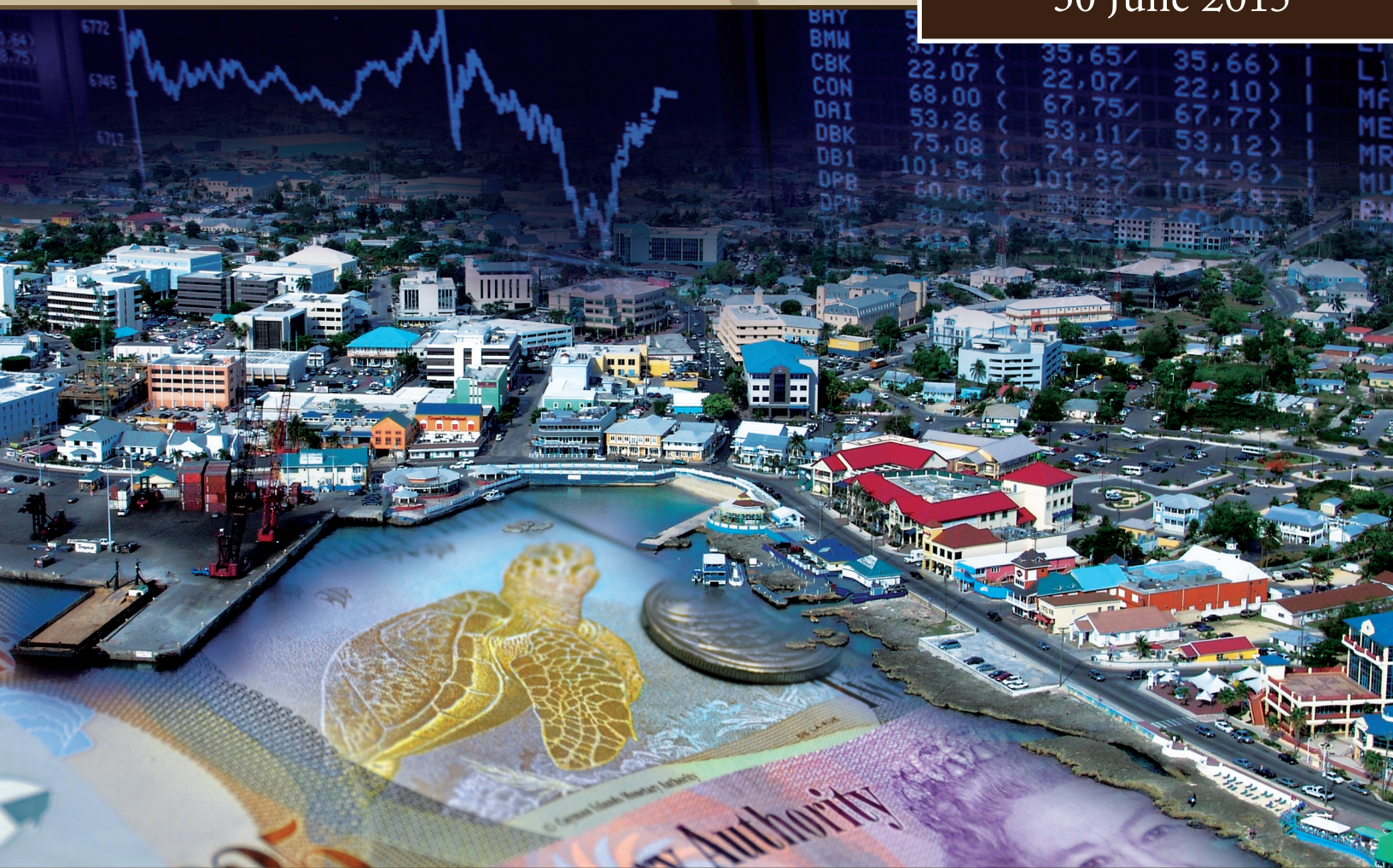


Office of the
Auditor
General
CAYMAN ISLANDS

Annual Report
30 June 2015





To help the public
service spend wisely

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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”) of the Cayman Islands for the year ending 30 June 2015 in accordance with Section 69 of the *Public Management and Finance Law* (2013 Revision). This will be the final time I present the annual report of the OAG as I officially leave office on 31 October 2015 to take on up a post with the Organisation of Economic Cooperation and Development.

This annual report completes the accountability cycle that began when the Office published its 2014/15 Annual Budget Statement in June 2014. Both documents help legislators and the public understand how we have assessed our performance. A further objective of this report is to communicate who we are and what we do, and to encourage the reader to understand our role and our desire to make a difference in the lives of the people of the Cayman Islands by ensuring public funds are managed in a transparent and accountable way.

This has been another challenging and successful year for the Office as we have continued to push for greater accountability and transparency in the use of public resources. We have maintained the pressure on Government to bring its financial statements up to date that are needed to provide stakeholders timely and credible information about the financial position of Government and its entities. And we have delivered a number of important performance audit reports which will



be instrumental for lasting improvement in the way that Government carries out its business.

In May 2015 we published our new five year strategic plan “Delivering Value”. The plan ensures that our work will continue to be relevant and have a positive influence on how government delivers its programmes and manages its resources.

Our new strategic plan includes three objectives for the Office:

- **Strengthening** the accountability, transparency, integrity and delivery of **public services** through high quality audits
- **Demonstrating** ongoing **relevance** to the people of the Cayman Islands, the Legislative Assembly and other stakeholders

- Encouraging improvement through **leading by example**

The achievement of these objectives will be driven by the core activities of the OAG: the financial audits of Government and its agencies; and, performance audits reporting on the economy, efficiency, and effectiveness of government's activities and public spending to the Legislative Assembly. Holding Government to account for its spending and for providing value for money in public services will remain a key focus.

However a fundamental component of achieving these objectives will be looking at how we can have a greater impact by providing added value, looking for ways to support Government as it implements its change and reform agenda, and delivers a number of key infrastructure projects.

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

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

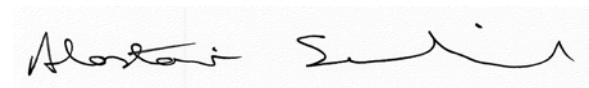
For example, legislators support the work of the Office by providing the funds needed to audit the Government. Adequate funding helps the Office meet legislators' and the public's expectations. Also, the legislators' review of the reports of the Office helps ensure that our work makes a difference by 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 contributes their experience, skills and hard work to fulfill our mandate by supporting me in 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.

In closing I would like thank my team, colleagues across the public service and the people of the Cayman Islands for their generosity and support over the last five years. I have thoroughly enjoyed my time as the Auditor General of the Cayman Islands and hopefully my Office has had some impact and been successful in encouraging lasting improvement in the management and use of public money.

It has been a privilege to serve as the Cayman Islands Auditor General. I leave with many fond memories and look forward to returning in the future. In the mean time I wish the Cayman Islands and all her citizens many years of prosperity and success.



Alastair Swarbrick, MA(Hons), CPFA, CFE
Auditor General
22 September 2015

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 individuals 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. It strengthens accountability, both upward to the elected

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.”*

members who provide resources, and outward 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, transparent, 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 promotes confidence in the Government. Legislators and the public are provided 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, and the Government has complied with governing laws, regulations and other relevant authorities.

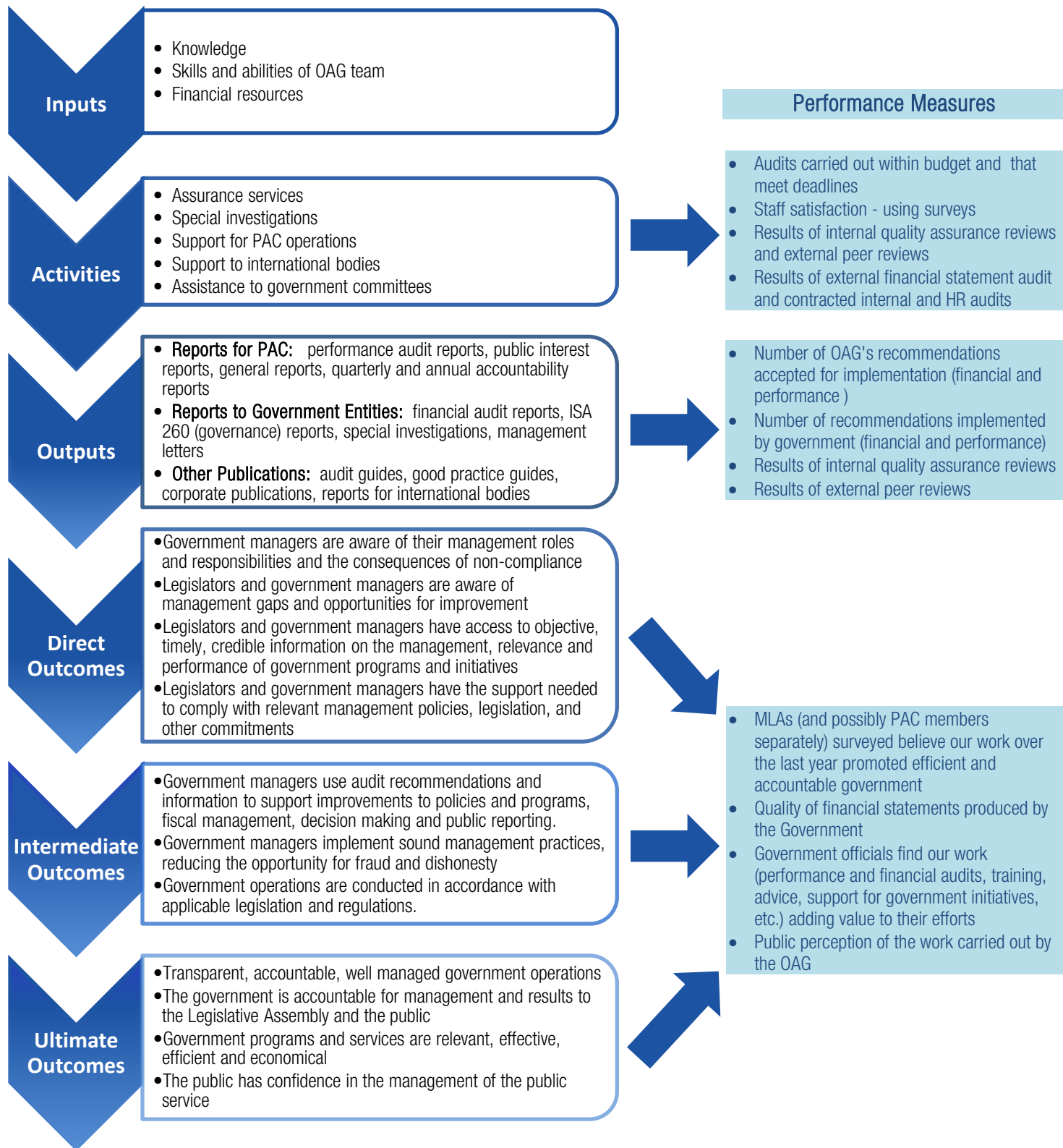
Also, the Office does the following:

- 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
- provides advice to government committees
- assists the Public Accounts Committee (PAC) in carrying out its mandate
- encourages professionalism in the public service
- adheres to the professional assurance standards as published by the International Audit and Assurance Standards Boards and the International Organisation of Supreme Audit Institutions.

The work and reports of the Office contributes to informed decision-making in government and the use of business-like processes. This, in turn, helps the Government use sound management practices to achieve results with public resources.

Exhibit 1 shows the broader picture of the Office's outputs and outcomes through a depiction of its delivery model.

Exhibit 1 - OAG Delivery Model



OUR STRATEGY

Our 2014/15 Budget Submission to the Legislative Assembly set out our strategic ownership goals based on our strategic plan for the period 2011 to 2013, with its four over-arching strategic objectives of: well managed public services; fostering good relations; independence of the OAG; and leading by example.

During 2014/15 we undertook an exercise to refresh our strategic plan, including refining our vision, mission and core values, and seeking views from a range of stakeholders. We published an updated five year strategic plan in May 2015.

The new 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. Over the timeframe of the new plan the core activities of the OAG will continue to be the financial audit of Government and its agencies and performance audits reporting on the economy, efficiency, and effectiveness of public spending to the Legislative Assembly. Holding Government to account for its spending and for providing value for money in public services will remain a key focus. However a fundamental driver over the next five years will be looking at how we can have a greater impact by providing added value, for example through:

- participation on Government improvement task forces
- turning audit knowledge and intelligence into advice and good practice support, and

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

We will continue to deliver a quality service to the Legislative Assembly and the entities we audit, and we will pursue our objectives as we carry out our programme of work as an independent office. We have presented our new plan under three broad strategic objectives:

- **Strengthening** the accountability, transparency, integrity and delivery of **public services** through high quality audits
- **Demonstrating** ongoing **relevance** to the people of the Cayman Islands, the Legislative Assembly and other stakeholders
- Encouraging improvement through **leading by example**

Exhibit 2 - Strategic Plan Objectives

Strengthening Public Services

We will help strengthen accountability, transparency, and the delivery of services in the public sector.

As the watchdog of government spending, our work gives us direct interaction and insight into how the public sector is operating and changing. As well as having direct interaction with every public entity each year, we also have an independent reporting role enshrined in legislation. We provide a credible and reliable source of information to government, legislators and society and can contribute to strengthening the public sector through our audits, by using our powers of reporting, and our interaction within and outside the public sector, on matters such as governance, accountability, financial sustainability and the efficient, effective and economic use of resources.

Demonstrating Relevance

In our work we will demonstrate our relevance by taking into account the views of our external stakeholders and those who use public services.

We place great importance on relationships with all of our stakeholders: Legislative Assembly, public entities, elected and appointed officials, professional organisations, and the general public of the Cayman Islands.

We want to be responsive to the challenges faced by the public, the expectations of different stakeholders, and the emerging risks and changes in the environment in which we conduct our work. It is also important that we continue to have a dialogue with stakeholders about how our work can facilitate improvement in the public sector.

Leading by Example

We will be agile, adapt to change and lead by example as individuals and as an organisation.

Staying the same or standing still is not an option for our Office. In our fast changing and evolving environment, auditing and the role of the auditor will continue to develop and change. International trends, such as rapid changes in technology, are also changing expectations among end users of audit and assurance information. Our ability to develop, adapt and be agile is important to ensuring we remain relevant and that we can remain a model organisation which leads by example both locally and regionally.

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 2014/15, we carried out financial audits of 42 individual entities (see Appendix 1) and on the consolidated financial statements of Government, and the associated Schedule of Appropriations. During this period, there continued to be a small backlog of audited financial statements and annual reports to be tabled in the Legislative Assembly. By the end of the fiscal year the backlog had nearly been cleared with only a few audits not completed. By 31 August 2015 when the 2014/15 financial statements are required to be submitted for audit by each entity, it is expected that nearly all prior year financial statements will have been cleared.

ENTITY FINANCIAL STATEMENTS

During the year we worked cooperatively with Government to audit the 2013/14 financial statements and clear the remaining backlog. It was agreed with the Deputy Governor at the end of 2014 that the pressure would be maintained on entities and their senior management, to ensure that there was a concerted effort by entities to complete all outstanding financial statements by 30 June

2015, and whilst this target was not achieved in totality, significant progress had been made by 30 June 2015.

We issued in total 49 (2013/14: 47) financial statement audit opinions on individual entities during the year. Of these 34 were for the most recent year (2013/14: 26). As at 30 June 2015 there were 10 (2013/14: 21) audits still outstanding.

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, within the statutory timetable. In addition, we have reported the lack of annual reports required by the PMFL to explain the financial results.

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

ENTIRE PUBLIC SECTOR (EPS) FINANCIAL STATEMENTS

With respect to the EPS financial statements of the Government, we continued to work with Government on auditing the submissions for the years 2009/10 and 2011/12 to 2013/14. 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 financial statements include the coercive revenues, transfer payments, executive expenses and loan transactions.

We have issued disclaimers of opinion on the EPS financial statements for all years between

2008/09 and 2012/13, with the latter three years being completed in 2014/15, and we are in the process of finalizing the audit of the 2013/14 EPS financial statements. As at the date of this report we have not issued the audit opinion on the 2013/14 financial statements are awaiting management sign off and representations to us.

We understand that the Government is undertaking work for the 2014/15 EPS financial statements that will address some of the issues resulting from 2013/14 financial statements.

IMPACT OF OUR WORK

We believe that our work is having an impact as the timeliness and quality of financial reporting is improving. Since 2010, when the state of financial reporting was a national embarrassment, with effectively no accountability for or transparency in the use of public resources, the state of affairs has improved considerably. However, significant further work is still required 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 improve the quality and timeliness of financial reporting, so that the goal of having accountability in line with the statutory requirements is achieved.

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 fourteen audits were conducted by local audit firms on behalf of the Office of the Auditor General.

As public auditors we have to ensure our independence and effectiveness through the application of a Code of Conduct prescribed by the International Federation of Accountants and ISSAI 30, and the code of ethics for Supreme Audit Institutions. The Auditor General performs the role of the ethics partner and provides advice on compliance with 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. Performance auditing (previously called value-for-money auditing) is carried out in accordance with the International Standards on Auditing using guidance from the International Organization of Supreme Audit Institutions. Individual performance audits are based on a planned and published programme of work ([Performance Audit Programme - January 2015](#)).

In complying with the standards, the OAG follows a set methodology to ensure that the audits are appropriately planned, executed, and reported. While there are several key elements of the methodology, the clearance of the draft audit reports with senior government officials is an important step that is carried out with every audit. The senior officials, including the Deputy

Governor, confirm the factual accuracy of the information in the report before it is finalized and issued to the Legislative Assembly.

During the year we issued three reports: Government Programmes Supporting Those in Need; Major Capital Projects – Building Schools; and, National Land Development and Government Real Property.

As at 30 June 2015, work was well underway on an additional five performance audits. These include: Nation Building Programme; Management of Government Revenues; IT Security, Scrap Metal and, Governance of the three aviation related agencies. The work is completed for three of these audits with the Nation Building Programme audit issued in early August and the other two reports are currently in the drafting and clearance phase.

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

SUPPORT AND ASSISTANCE TO THE PAC AND THE LEGISLATIVE ASSEMBLY

We work closely with the Public Accounts Committee to promote effective management and greater accountability of public resources.

During 2014/15, the PAC met frequently with the Office in attendance, and held three public hearings to discuss and gather further evidence on our reports before preparing their own reports to the Legislative Assembly.

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 2014/15 the Auditor General and the OAG team met and consulted with a large number of stakeholders. We provided information and advice on many issues around areas including financial accounting, procurement, governance and programme management. Specific activities undertaken included:

- Organizing Government Professional Development Week
- Advising the committee appointed to review the PMFL
- Advising the Committee developing the new procurement law and regulations
- Engaging with the Strategic Review Implementation Unit regarding the implementation of the EY report
- Informing the Chamber of Commerce
- Consulting with stakeholders on our new strategic plan
- Maintaining strong working relationships with key partners such as the Anti-Corruption Commission, the Financial Crimes Unit, and private sector audit firms.

REGIONAL AND INTERNATIONAL WORK

The OAG is a member of Caribbean Organisation of Supreme Audit Institutions (CAROSAI) 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
- Facilitating training in ISSAIs for other members of CAROSAI
- Represented CAROSAI on the International Organization of Supreme Audit Institutions (INTOSAI) Capacity Building Committee.

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

The benefit of this arrangement cannot be understated as CCOLA 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 2014, the financial audit symposium in February 2015 and performance audit symposium in April 2015.

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>

The Auditor General is also a Director of the Auditors Oversight Authority. 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.

Further information on the Auditors Oversight Authority can be found on their website: <http://aoa.ky/>

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, and the Deputy Governors committee developing a procurement law and related regulations.



The Auditor General with the Canadian Federal and Provincial Auditor Generals and the Auditor General of Bermuda

OUR PEOPLE

The Senior Management Team



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

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



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

Responsible for managing our in-house financial audit practice



**Martin Ruben, FCPA,
FCGA, Audit Principal**

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 13 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 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 report any potential 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, we must 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 core values of professionalism, respect, integrity and transparency.

OAG Core Values

Professional – competently carrying out independent and objective work, always striving to deliver a high quality service

Respect - treating our employees, clients and stakeholders with respect and dignity

Integrity – conducting our work ethically, in a manner that creates confidence and trust in what we do

Transparent – accountability and transparency in the operations of the OAG

In 2014, the OAG continued consolidating the developments and significant changes that had occurred in the previous three 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.

We completed work on the development of an updated strategic plan, including a performance reporting framework which was published in May 2015. This plan provides clear strategic direction for the next five years and includes measures and indicators against which our performance can be measured.

In January 2015, the Office took the lead in organizing the “Every Step Counts” Pedometer challenge, involving 5 government agencies. This initiative developed from the Office’s previous workplace walk off challenge promoting exercise and healthy lifestyle as part of overall wellness. Fifty-eight participants took part in the challenge which culminated in a challenge event among the agencies involved.

Following on from this two members of the Office have been asked to be members of the

Deputy Governor's Wellness Committee.



Some of the participants from the "Every Step Counts" Pedometer challenge

INDEPENDENCE OF THE OAG

The independence of the OAG is fundamentally important to the effective discharge of our constitutional responsibilities. The importance of independence for public audit offices was recognized by the United Nations General Assembly in December 2011 and Commonwealth Heads of Government in November 2013.

Over the years there have been significant challenges to our independence, in particular with constraints being placed on financial and human resources. However we have continued to move forward the agenda of strengthening the independence of the OAG, and during

2014/15 we made further progress. In particular, we had proposals for Office reorganization approved and passed through the budget process, and we have agreement to the principles of new legislation from ministers, the PAC and senior officials of Government. Over the next year we intend to drive the introduction of new legislation forward.

CONTINUOUS DEVELOPMENT OF OUR PROFESSIONAL PRACTICE

We are required to carry out our work in compliance with International Standards on Auditing (ISAs) and we are now in the process of adopting International Standards of Supreme Audit Institutions (ISSAIs) which expand on the

ISAs for application in the audit of government entities. We are now integrating the ISSAIs into our audit methodology for both financial and performance auditing.

During the year, we continued to develop our financial and performance audit practices focusing 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 to ensure we meet our employees' professional development obligations while providing them with the required skills and tools.

We again delayed the full implementation of our quality assurance framework due to resourcing constraints. As we implement our restructuring over the coming year, we will work to address this issue, as its full implementation is required to meet our obligations under professional standards.

The focus for the coming year will be the full implementation of the ISSAIs within our audit methodology.

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 developed capacity from two perspectives. Firstly, we ensured that our

staff maintained and enhanced their skills so that the OAG meets its professional obligations for 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 support the delivery of our mandate. These included:

- all staff attended the Government Professional Development Week which provided sessions on governance, risk management, fraud and accounting standards. The OAG was again the key driver in the organisation of this event which was attended by over 200 people
- five staff completed or commenced the Certificate in International Public Sector Accounting Standards
- three staff members became certified ISSAI facilitators
- one member of staff became a Certified Fraud Examiner
- one member of staff completed the ACCA certificate in International Auditing

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.

To continue effectively delivering our mandate, we prepared a plan to reorganize the Office in conjunction with developing our new strategic plan. The objectives of the reorganization were to:

- provide sufficient capacity to deliver our core mandate
- build a sustainable performance audit practice with less dependency on the use of consultants
- ensure compliance with professional standards
- address managerial capacity, skills gaps and succession planning
- promote Caymanian employment and training

The restructuring plan was approved by the Public Accounts Committee and was subsequently built into our budget proposals for 2015/16. The budget was subsequently approved by the Legislative Assembly.

The restructuring plan will take a couple of budget cycles to fully implement, but in due course it will address some of the key challenges that have impeded the delivery of our mandate.

COMMUNITY INVOLVEMENT

We encourage the staff of the OAG to get involved in community activities.

During 2014/15 OAG staff were again involved in the organization of Leadership Cayman and the registration of swimmers for the Flowers Sea Swim.

Members of the OAG participated on the Cayman Islands Society of Professional Accountants training committee and some members supervised professional association examinations for students. Finally, members of the OAG guest lectured at various professional conferences and in the accounting and auditing program at UCCI.

OUR RESOURCES

This section provides a summary and a trend 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 STATEMENT TREND ANALYSIS AND DISCUSSION

Statement of Financial Performance Trend Analysis

	2014/15 Actual \$000	2013/14 Actual \$000	2012/13 Actual \$000	2011/12 Actual \$000	2010/11 Actual \$000
Revenue					
Audit services to PAC	632	616	502	575	533
Audit services to other gov't agencies	1,921	1,437	1,726	2,153	2,153
Total revenue	2,553	2,053	2,228	2,728	2,686
Expenses					
Personnel costs	1,816	1,768	1,683	1,745	1,662
Operating expenses	548	434	389	484	312
Depreciation	12	12	14	22	18
Total expenses	2,376	2,214	2,086	2,251	1,992
Net surplus/(deficit) for the period	177	(161)	142	477	694

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

Revenue Analysis: Audit services to PAC has steadily increased over the past 5 years and over that time has increased by 19%. The increase is directly correlated to the number of reports we have issued to the Legislative Assembly. In 2010/11 we issued 4 reports and had none in progress; whereas in 2014/15 fiscal year we issued 5 and had 7 audits/reports in progress. In addition, the audits undertaken have become increasingly complex.

In regards to audit services to other government agencies we increased our activities to clear a backlog of financial statement audits in 2010/11, which corresponded to the largest income generated from audit services to other government agencies. In 2010/11 we issued 74 financial statement audit opinions; whereas in 2014/15 we issued 49 financial statement audit opinions. In 2013/14, we had a significant decrease in revenue from other government agencies due to delays in completing the entire

public sector audits and a few other entities and therefore, the Office committed more time towards updating its audit practices and methodology, which was non-billable and resulted in less revenue earned.

Expense Analysis:

Personnel costs have steadily risen from 2010/11 to 2014/15 by a total 9%. Even though the number of staff has remained steady throughout this period, there have been increases in health care premiums, overtime payments being made and duty allowances to cover off extra duties required by staff so that we are compliant with the recent significant changes to the International Standards on Auditing.

Operating costs have risen significantly from 2010/11 to 2014/15 by \$236k or 76%. The biggest increase over this time has been the amount paid to consultants for performance audit work and IT work, since we have been unable to increase our staff complement. Professional fees increased from \$91k in 2010/11 to \$300k in 2014/15. Most other operating expenses have been remained relatively consistent over this time period.

Revenue and expenses discussed above do not include the work 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 by having these expenses attributed to our Office’s operations instead of being charged directly to the entities. This would provide full accountability for the cost of public sector audit. However, this was not done in the recent budget process.

Surplus / (deficit) analysis: the Office has been able to generate reasonable surpluses over the past 5 years as a result of the work done on clearing the backlog of financial statement audits. The only exception to this was 2013/14 where the Office incurred a deficit of \$161k, due to a significant decrease in revenue that fiscal year. Our goal is to break even on a year to year basis.

Statement of Financial Position Trend Analysis on select items:

	2014/15 Actual \$000	2013/14 Actual \$000	2012/13 Actual \$000	2011/12 Actual \$000	2010/11 Actual \$000
Cash & cash equivalents	688	406	365	1,206	426
Accounts Receivable & work in progress	411	420	649	485	718
Accounts Payable & Accruals	102	32	20	67	38
Employee Entitlements	188	152	114	109	85
Surplus Payable	177	-	619	1,267	790

Cash and cash equivalents analysis: For the years 2010/11 to 2014/15 we have maintained a healthy cash position. We have attempted to maintain a cash position of 2 to 3 times our monthly expenses. Our cash position in 2011/12 grew as a result of large surpluses in both 2010/11 and 2011/12 years.

Accounts receivable and work in progress analysis: We manage our outstanding receivables to ensure there is only approximately 2 months outstanding. In 2010/11 accounts receivable to PAC were significantly higher as PAC ceased meeting in the latter half of the year and therefore the PAC invoices were not approved for payment. Again, in 2012/13, the accounts receivable were higher than normal as a result of the election in May 2013. Many government entities were reorganized and their bills were not paid in a timely manner. While the amount of the accounts receivable balances owed to the Office from PAC, government ministries, portfolios, statutory authorities and government companies vary from year to year, all accounts are expected to be collected and we have never had to be concerned about an allowance for uncollectable accounts.

Accounts payable and accruals: Accounts payables and accruals are expected to vary from \$20k to \$40k in any given year. However, in 2011/12 and 2014/15, accounts payable were significantly higher than the normal range due to consultants doing more work in June in each of those fiscal years.

Employee entitlements analysis: accrued employee entitlements have increased from 2010/11 to 2014/15 by \$103k or 121%. This is a result of an increased work load with more performance audit reports being issued and additional effort to clear out the backlog of financial statements with the same number of employees. During that time period, employees worked additional hours and built up their time off in lieu and annual leave balances.

Surplus payable analysis: Surplus payable is directly related to the surplus amounts achieved in each fiscal year less any repayments made to Government. In accordance with section 67 and 39 3(f) of the PMFL, the PAC 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 had no surplus payable. As at 30 June 2015 the Office surplus payable increased by \$177k for the current year surplus. The PAC has not confirmed whether the Office can retain its surplus and the full amount has therefore been booked as surplus payable to Government.

FINANCIAL PERFORMANCE RATIOS

Ratio	2014/15	2014/15	Variance
	Actual	Original / Final Budget	
	%	%	%
Current Assets: Current Liabilities (Working Capital)	236	205	31
Total Assets: Total Liabilities	243	215	28

These ratios indicate that we were able to meet our current obligations as at 30 June 2015. The working capital position at year end was better than anticipated due to the surplus payable being lower than the amount budgeted.

RISK MANAGEMENT

Risk management is a key element of the Office’s management framework that meets the requirements set out in the PMFL as well as auditing standards. The OAG manages risks for the achievement of both financial and operational objectives. Every year, the senior management team ensures that the Office’s risk register is updated and that there are appropriate management practices in place to mitigate the risks that had been identified. Evidence of how the risks are managed can be found in the Office’s most recent strategic plan ([OAG 2015 to 2019 Strategic Plan: Delivering Value](#)).

For 2014/15, operational risks were effectively managed and mitigated with no instances of significant events or deviation from operational plans.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2014/15 are disclosed below in bands of CI\$5,000.

Post	Remuneration	Remuneration	Benefits	Benefits
	2014/15	2013/14	2014/15	2013/14
	\$000	\$000	\$000	\$000
Auditor General	125 to 130	125 to 130	30 to 35	30 to 35
Deputy Auditor General	110 to 115	105 to 110	25 to 30	25 to 30
Audit Principal – Financial Audit	105 to 110	95 to 100	20 to 25	20 to 25
Audit Principal – Performance Audit	110 to 115	95 to 100	10 to 15	10 to 15

Remuneration includes salary, allowances, and any additional remuneration paid during the financial year (2013/14: salary, allowances, any additional remuneration, and includes 2.5% honorarium).

Allowances paid during the year were duty and motor car upkeep allowances. Benefits include pension, and health care insurance.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs(\$)
Deloitte	IT work	120,155
BDO	Revenue Performance Audit	111,610
Consultant Performance Auditor	Construction of Schools Performance Audit	25,780
Baker Tilly (Cayman) Ltd.	OAG Financial Statement Auditor	14,280
Consultant Performance Auditor	Land Management Performance Audit	12,292
Campbells	Legal Advice	9,537
Royal Institute of Chartered Surveyors	Valuation Assessment	7,426
Consultant Performance Auditor	Governance Audit – 3 SAGCs	7,244
Consultant Performance Auditor	Social Benefits Performance Audit	5,259
Editor	Report Editing	4,133

During the year we engaged Deloitte to undertake review the IT systems work for our financial statement audit work and to conduct some IT security work. We contracted with BDO and several individual consultants to help us conduct our performance audits. The cost of the performance auditors includes payments made directly to the performance auditors and their associated costs (i.e. work permit fees, airfare, hotel, car rental, etc.). Campbells provided us with legal advice for our performance audit work. We engage consultants to carry out performance audit work as our staff complement is not sufficient to carry out this work internally. This situation is unlikely to change unless we are able to increase the number of staff and build capacity for performance auditing.

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

PHYSICAL CAPITAL MEASURES

Measure	2014/15 Actual	2014/15	
		Original/Final Budget	Variance
Value of total assets	1,136,000	\$1,288,000	(\$152,000)
Asset replacements: total assets	2%	2%	-
Book value of assets: initial cost of those assets	29%	37%	(8%)
Depreciation: cash flow on asset purchases	52%	86%	(34%)
Changes to asset management policies	None	None	-

The Office's total assets were under budget by \$152k as a result of accounts receivable being less than budget due to actual collection of outstanding receivables being better than we had anticipated and the Office spent less on capital assets in its move to its new location during 2014/15 fiscal year. With less cost than expected for the move, the book value of assets to initial cost of those assets was 8% less than anticipated and the depreciation to cash flow on asset purchases was also under budget by 34%.

HUMAN CAPITAL MEASURES

Measure	2014/15 Actual	2014/15 Original / Final Budget	Variance
Total full time equivalent staff employed at 30 June	18	19	(1)
Staff turnover (%)			
Managers	0%	25%	(25%)
Professional and technical staff	8%	25%	(17%)
Clerical and labourer staff	0%	0%	-
Average length of service (number of years in current position)			
Managers	10	6	4
Professional and technical staff	6	5	1
Clerical and labourer staff	7.5	7.5	-

Changes to personnel management system:

No changes to personnel management system

We had no turnover during the year at the manager level which resulted in a variance of 25% as we anticipated one resignation. At the Audit Project Leader (professional and technical staff) position, we had one employee resign during the year which resulted in a variance of (17%) as we anticipated three resignations. For clerical and labourer staff, we had no resignations which was in line with our expectations. At year end, one Audit Project Leader position remained unfilled.

PROFILE OF OAG STAFF

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	3	-
Kenyan	-	1	-
Filipino	-	3	-
Guyanese		1	

We have eleven male and seven female members of staff.

Gender	Senior Management	Auditors	Administrative
Female	-	5	2
Male	4	7	-



Financial Statements

30 June 2015

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 2015.

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 2015;
- b) fairly reflect the financial position as at 30 June 2015 and the performance for the year ended 30 June 2015;
- 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, CFE
Auditor General

DATE: 22 September 2015



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

DATE: 22 September 2015



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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 2015, 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 2015 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.

22 September 2015

Grand Cayman, Cayman Islands

Office of the Auditor General Cayman Islands

Statement of Financial Position

As at 30 June 2015

(Expressed in Cayman Islands Dollars)

2013/14 Actual \$000		Note	2014/15 Actual \$000	2014/15 Original/Final Budget \$000	2014/15 Variance from Original Budget \$000
	Current Assets				
406	Cash and cash equivalents	1	688	647	41
420	Accounts receivable & work in progress	2	411	569	(158)
4	Prepayments		3	15	(12)
830	Total Current Assets		1,102	1,231	(129)
	Non-Current Assets				
23	Property, plant and equipment	3	34	57	(23)
23	Total Non-Current Assets		34	57	(23)
853	Total Assets		1,136	1,288	(152)
	Current Liabilities				
32	Accounts payable and accruals	4	102	25	77
152	Employee entitlements	5	188	80	108
-	Surplus payable	6	177	495	(318)
184	Total Current Liabilities		467	600	(133)
184	Total Liabilities		467	600	(133)
669	Net Assets		669	688	(19)
	Net Assets/Equity				
688	Contributed capital*	7	688	688	-
(19)	Accumulated surpluses/(Deficits)*		(19)	-	(19)
669	Total Net Assets/Equity		669	688	(19)

* 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 2015

(Expressed in Cayman Islands Dollars)

2013/14 Actual		Note	2014/15 Actual	2014/15 Original Budget	2014/15 Final Budget	2014/15 Variance from Original Budget
\$000			\$000	\$000	\$000	\$000
Revenue						
616	Audit services provided to Public Accounts Committee	8	632	650	650	(18)
1,437	Audit services provided to other government agencies	8	1,921	2,153	2,206	(232)
2,053	Total Revenue		2,553	2,803	2,856	(250)
Expenses						
1,768	Personnel costs	9	1,816	1,785	1,785	31
434	Operating expenses	10	548	533	586	15
12	Depreciation	3	12	19	19	(7)
2,214	Total Expenses		2,376	2,337	2,390	39
(161)	Net Surplus/(Deficit) for the period		177	466	466	(289)

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 2015
(in Cayman Islands Dollars)

2013/14 Actual		2014/15 Contributed Capital (Note 7)	2014/15 Accumulated Surpluses / (Deficits)	2014/15 Total Net Assets / Equity	2014/15 Total Net Assets/Equity Original/Final Budget	2014/15 Total Net Assets/Equity Variance From Original Budget
\$000	Note	\$000	\$000	\$000	\$000	\$000
688		688	(19)	669	688	(19)
(161)		-	177	177	466	(289)
-	6, 7	-	-	-	-	-
142	6	-	(177)	(177)	(466)	289
669		688	(19)	669	688	(19)

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 2015

(in Cayman Islands Dollars)

2013/14 Actual \$000		Note	2014/15 Actual \$000	2014/15 Original Budget \$000	2014/15 Final Budget \$000	2014/15 Variance from Original Budget \$000
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts:						
664	Audit services provided to Public Accounts Committee		738	645	645	93
1,619	Audit service provided to other government agencies		1,824	1,986	2,039	(162)
Payments:						
(1,730)	Personnel costs		(1,780)	(1,799)	(1,799)	19
(423)	Operating expenses		(477)	(551)	(604)	74
130	Net cash flows generated from operating activities	13	305	281	281	24
CASH FLOWS FROM INVESTING ACTIVITIES						
(12)	Purchase of non-current assets		(23)	(22)	(22)	(1)
(12)	Net cash flows (used in) investing activities		(23)	(22)	(22)	(1)
CASH FLOWS FROM FINANCING ACTIVITIES						
(77)	Repayment of surplus	6	-	(142)	(142)	142
(77)	Net cash flows (used in) financing activities		-	(142)	(142)	142
41	Net increase in cash and cash equivalents		282	117	117	165
365	Cash and cash equivalents at beginning of year		406	530	530	(124)
406	Cash and cash equivalents at end of year	1	688	647	647	41

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 2015

(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 is located on the Third Floor, Anderson Square, Shedden Road, George Town, Grand Cayman. As at 30 June 2015, the Office had 18 employees (2014: 17).

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 2015.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BUDGET AMOUNTS

The 2014/15 original budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statements presentation. The 2014/15 original budget was presented in the 2014/15 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on 25 June 2014. The original budget was revised under section 37 of the PMFL, which represents the final budget. There was no 2014/15 supplemental budget submitted for approval to the Legislative Assembly for the revision under section 37 of the PMFL 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 2015 and 30 June 2014, 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 2015
(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 collection delays 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 costs) 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 2015
(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 depreciation 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 2014/15 and 2013/14 all eligible employees of the Office belonged to the defined contribution plan. In 2014/15 one employee reached retirement age and is no longer eligible to participate in 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 2015
(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 2015
(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.

2013/14		2014/15	2014/15	2014/15
Actual		Actual	Original/Final	Actual vs.
\$000		\$000	Budget	Original Budget
\$000		\$000	\$000	\$000
406	Bank accounts	688	647	41
406	Total cash and cash equivalents	688	647	41

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

Cash and cash equivalents are over budget by \$41k as a result of an increase in net cash flows from operating activities of \$24k over budget and no repayment of surplus from prior years as we were able to offset the deficit we incurred in the 2013/14 fiscal year.

The increase in cash and cash equivalents of \$282k from the prior year is a result of operational cash inflows of \$305k, less outflows of cash for purchases of property, plant and equipment of \$23k. 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 2015
(in Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS

2013/14 Actual		2014/15 Actual	2014/15 Original/Final Budget	2014/15 Actual vs. Original Budget
\$000		\$000	\$000	\$000
97	Audit services to PAC (accounts receivable)	-	90	(90)
78	Audit services to PAC (work in progress)	69	85	(16)
144	Audit services to other government entities (accounts receivable)	148	236	(88)
101	Audit services to other government entities (work in progress)	194	158	36
420	Total gross accounts receivable & work in progress	411	569	(158)
-	Less: provision for doubtful debts	-	-	-
420	Total net accounts receivable & work in progress	411	569	(158)

Aging Analysis of Accounts Receivable & Work in Progress

2013/14 Actual	Accounts receivable & work in progress	2014/15 Actual	2014/15 Original/Final Budget	2014/15 Actual vs. Original Budget
\$000		\$000	\$000	\$000
179	Current (WIP)	263	243	20
159	Past Due 1-30 days	53	180	(127)
6	Past Due 31-60 days	90	95	(5)
5	Past Due 61-90 days	4	51	(47)
24	Past Due 91-180 days	1	-	1
47	Past Due 181-360 days	-	-	-
-	361 + Days	-	-	-
420	Total	411	569	(158)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(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 \$175k at year end. However, the balance owing by PAC to the Office was \$106k less than budget. This decrease from budget was a result of PAC being up to date on its payments and less work being performed in June 2015 than was anticipated.

Actual to prior year actual: for the year ending 30 June 2015, PAC sat more regularly and approved payment of the Office's invoices in a timelier manner which decreased the overall receivable balance from the prior year by \$106k. At the end of 30 June 2014, the May 2014 bill (\$97k) was not paid as PAC did not sit in June 2014 and therefore the Office's invoice went unpaid. The work in progress decreased slightly over the prior year actual by \$9k due to less performance audit work being performed in June 2015 than June 2014.

Accounts receivable & work in progress for audit services provided to other government entities:

Actual to budget: the Office's accounts receivable and work in progress were \$52k less than budget as a result of less work being done for other government entities than was anticipated which is consistent with the reduction in actual revenue from other government entities. In addition actual collection of outstanding receivables was better than we had anticipated in the budget.

Actual to prior year actual: accounts receivable and work in progress were \$97k higher than the prior year. This increase was a result of more work conducted in June 2015 than June 2014, which led to an increase of \$93k in billings from the prior year for that month. In addition, other government entities paid their outstanding balances in a timelier manner, which is consistent with the aging of the actual receivables compared to the prior year actual.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(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, 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)
<u>Cost</u>							
At July 1, 2014	66	28	41	4	139	138	1
Additions	3	6	1	13	23	22	1
Disposals	(15)	(7)	(18)	(4)	(44)	(6)	(38)
At June 30, 2015	54	27	24	13	118	154	(36)
<u>Accumulated Depreciation</u>							
At July 1, 2014	56	27	29	4	116	84	32
Accumulated depreciation on disposals	(15)	(7)	(18)	(4)	(44)	(6)	(38)
Depreciation charge for the year	3	1	6	2	12	19	(7)
At June 30, 2015	44	21	17	2	84	97	(13)
Net Book Value at June 30, 2015	10	6	7	11	34	57	(23)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

In 2014/15, the Office was slightly over budget (\$1k) in additions and over budget (\$38k) in disposal of property, plant and equipment due to the Office relocation. 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. However, this did not happen and therefore the items were disposed of during 2014/15 instead.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original/Final Budget \$000	2014/15 Actual vs. Original Budget \$000
18	Trade creditors	88	11	77
14	Accruals	14	14	-
32	Total	102	25	77

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

Trade creditors: The Office budgeted to have trade creditors' payable of \$11k versus the actual amount of \$88k, which resulted in a variance of \$77k over budget. We had several trade payables at year end for consultants (\$80k) work that took place in June 2015 that was not anticipated when the budget was set. The increase of \$70k in Office trade creditors over the prior year was primarily due to professional fees owing to consultants in June 2015.

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 2015
(in Cayman Islands Dollars)

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2013/14 Actual	Current employee entitlements are represented by:	2014/15 Actual	2014/15 Original/Final Budget	2014/15 Actual vs. Original Budget
\$000		\$000	\$000	\$000
114	Annual leave	131	65	66
38	Time off in Lieu	57	15	42
152	Total employee entitlements	188	80	108

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

Actual annual leave was \$66k greater than budget and \$17k 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, 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 \$42k over budget and \$19k from last year's actual due to the same reasons mentioned above.

NOTE 6: SURPLUS PAYABLE

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original/Final Budget \$000	2014/15 Actual vs. Original Budget \$000
-	Surplus payable	177	495	(318)
-	Total	177	495	(318)

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

Actual to budget: The Office budgeted to have a surplus of \$466k at 30 June 2015, but only had a \$177k surplus, which accounts for \$289k difference from budget. The remaining \$29k was the estimated surplus we were hoping to achieve in 2013/14, which did not materialize.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(in Cayman Islands Dollars)

NOTE 6: SURPLUS PAYABLE (continued)

Actual to prior year actual: As at 30 June 2015 the Office surplus payable increased over the prior year by \$177k (30 June 2014: \$NIL) which relates to the current year surplus. 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.

Also, the Public Accounts Committee Chairman directed the Office in accordance with section 67 and 39 3(f) of the PMFL 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, which resulted in no surplus payable as at 30 June 2014.

NOTE 7: CONTRIBUTED CAPITAL

Pursuant to the 2014/15 and 2013/14 Annual Budgets of the Cayman Islands Government, goods and services provided between core government entities do 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.

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original/Final Budget \$000	2014/15 Actual vs. Original Budget \$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections: 2004/05: \$222k 2005/06: \$ 5k 2007/08: \$177k	404	404	-
181	Contributed goods & services (2010/11)	181	181	-
-	Repayment of surpluses	-	-	-
688	Total contributed capital	688	688	-

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(in Cayman Islands Dollars)

NOTE 8: REVENUE

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original Budget \$000	2014/15 Final Budget \$000	2014/15 Actual vs. Original Budget \$000
	Revenue				
616	Audit services provided to Public Accounts Committee	632	650	650	(18)
1,437	Audit services provided to other government agencies	1,921	2,153	2,206	(232)
2,053	Total revenue	2,553	2,803	2,856	(250)

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

The Public Accounts Committee (PAC) was billed \$632k, which was \$18k lower than the budget/appropriation amount of \$650k approved by the Legislative Assembly. This resulted from the effective management of internal staff and consultants on performance audits. PAC was billed \$16K more than the prior year as we used more consultants during the year, which then generated more revenue.

Audit services provided to other government agencies was \$232k lower than budget as we were not able to completely get caught up on the financial statement audits of all government entities as we had anticipated. Our revenues, however, were \$484k higher than last year actual as a result of completing some of the backlogged entire public sector financial statement audits and other backlogged entities financial statement audits.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
(in Cayman Islands Dollars)

NOTE 9: PERSONNEL COSTS

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original/Final Budget \$000	2014/15 Actual vs. Original Budget \$000
1,499	Salaries, overtime & allowances (including employee pension contributions)	1,534	1,463	71
191	Health insurance	196	212	(16)
77	Employer pension expense	77	80	(3)
1	Other personnel costs	9	30	(21)
1,768	Total personnel costs	1,816	1,785	31

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

Salaries, overtime & allowances: Salaries were over budget by \$71k, which was mainly due to the increases in the following areas from budget: duty allowance (\$14k); payouts and increase in annual leave accrued and comp time accrued (\$39k); and overtime (\$18k). Salaries were \$35k higher than the 2013/14 fiscal year due mainly to payouts and increase in annual leave accrued and comp time accrued (\$20k). The remaining increase from prior year actual was due to overtime (\$15k) being paid for a longer period of time than in the prior year from the prior year.

Health insurance: Health insurance benefits were \$16k less than budget and \$5k more than the prior year as we anticipated more changes in employee status, which would have changed the premium amounts 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 (\$21k) in other personnel costs as a result of less staff turnover, which requires payments for relocation personnel back to their home countries if they were recruited from abroad. In addition, the Office incurred only a nominal amount of recruitment expenses.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
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NOTE 10: OPERATING EXPENSES

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original Budget \$000	2014/15 Final Budget \$000	2014/15 Actual vs. Original Budget \$000
163	Professional fees	300	200	252	100
129	Operating leases	105	141	141	(36)
25	Utilities	20	27	27	(7)
23	Training	17	23	23	(6)
23	Travel & subsistence	24	23	23	1
18	Other goods and services	30	24	24	6
14	Audit Fees	14	14	14	-
12	Legal Fees	9	35	35	(26)
12	Software licensing fees	15	25	25	(10)
11	Janitorial services	10	13	13	(3)
3	Insurance	3	4	4	(1)
1	Computer hardware maintenance	1	4	5	(3)
434	Total operating expenses	548	533	586	15

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

Professional Fees: Professional fees were over the original budget by \$100k as a result of hiring consultants to conduct performance audits and to provide assistance with IT work on the financial statement audits.

The 2014/15 actual amount was \$137k higher than last year's actual due to more consultants being engaged to carry out performance audits. We also engaged a firm to perform IT work on financial statement audits, which was not done in the previous year.

Operating Lease: The Office occupies leased property on the third floor, Anderson Square, Shedden Road, George Town. A new five year lease was signed in September 2014 at a significantly reduced rate from what had been budgeted and therefore saved \$36k. By signing a new lease, we also achieved savings from the prior year actual of \$24k. The amounts committed in respect of this lease are included in Note 11. During 2014/15 the Office paid \$3k (2013/14: \$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 2015
(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 2014/15, the Office spent \$24k (2013/14: \$23k) on travel and subsistence. This included business related trips to: Antigua – ISSAI facilitator training workshop; Canada – Canadian Council of Legislative Auditor’s (COLLA) conferences in St. Johns, Newfoundland (general conference with public accounts forum) and in Toronto (financial statement & performance audit symposium); Cayman Brac – financial statement audit work; Jamaica - World Bank Oversight Legislative Conference; Norway - IDI strategic priorities and planning meeting and INTOSAI CBC working group meeting; Peru – INTOSAI CDC workshop; Trinidad – ISSAI implementation workshop. Some of the costs were reimbursed by supporting organizations.

(2013/14: Canada – Canadian Council of Legislative Auditor’s (COLLA) 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.)

Other goods and services: During 2014/15 the Office spent \$30k (2013/14: \$18k) on other goods and services. The \$12k increase over the prior year was mainly due to the associated costs with moving the Office. We were also over budget by \$6k for the same reason.

Legal Fees: Legal fees were \$26k under budget and \$3k less than the prior year actual as there was less need for legal advice on performance audits.

Software Licensing Fees: Software licensing fees were \$3k higher than the prior year actual, but were under budget by \$10k, due to not purchasing a new software package.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 11: COMMITMENTS – PROPERTY LEASE

The Office has a non-cancellable accommodation lease with Beaufort Investments Ltd. for leased property on the third floor, Anderson Square, Shedden Road, George Town. In September 2014, the Office signed a 5 year lease effective from 1 November 2014 and expiring on 31 October 2019. At the end of the lease, the Office must provide 6 months’ notice to the Landlord and a new lease can be negotiated for a further five years at an agreed upon open market rental rate.

Type	One year or less \$000	One to five years \$000	Over five years \$000	2015 Total \$000	2014 Total \$000
Non-cancellable accommodation lease	95	316	-	411	-

At 30 June 2014 there were no operating commitments as the previous lease had expired and the payments were being made on a month by month agreement.

NOTE 12: CONTINGENT LIABILITIES

At 30 June 2015, there are no quantifiable and non-quantifiable contingent liabilities (30 June 2014: no contingent liabilities).

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 13: RECONCILIATION OF NET SURPLUS TO CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

2013/14 Actual \$000		2014/15 Actual \$000	2014/15 Original/Final Budget \$000	2014/15 Actual vs. Original Budget \$000
(161)	Net surplus / (deficit)	177	466	(289)
	Non-cash movements			
12	Depreciation	12	19	(7)
50	Increase/(decrease)in payables/accruals	106	(35)	141
230	Decrease/(increase) in receivables	9	(172)	181
(1)	Decrease/(increase) in prepayments	1	3	(2)
130	Net cash flows from operating activities	305	281	24

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 2014/15 and 2013/14 Annual Budget Statements 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 contributed goods and services received for the 2014/15 and 2013/14 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 2014/15 was \$547k (2013/14: \$522k). There were no loans made to key management personnel or their close family members in 2014/15 or in 2013/14.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
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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.

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 2015 and 2014, 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.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 30 June 2015
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NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2015 and 2014, all of the financial liabilities were due within three months of the year end dates.

NOTE 16: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 30 June 2015 and 2014, 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.

NOTE 17: SUBSEQUENT EVENT

The Auditor General resigned from his post with an effective date of 31 October 2015.

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 2014/15.

Entity	Auditor
Cabinet Office	Office of the Auditor General
Information Commissioners Office	KPMG
Judicial Administration	KPMG
Ministry of Community Affairs	Office of the Auditor General
Ministry of District Administration, Tourism and Transport	Office of the Auditor General
Ministry of Education, Employment and Gender Affairs	Office of the Auditor General
Ministry of Finance and Economic Development	Office of the Auditor General
Ministry of Financial Services, Commerce and Environment	Office of the Auditor General
Ministry of Health, Youth, Sports and Culture	Office of the Auditor General
Ministry of Home Affairs	Office of the Auditor General
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	Office of the Auditor General
Office of the Complaints Commissioner	KPMG
Office of the Director of Public Prosecutions	KPMG
Portfolio of the Civil Service	Office of the Auditor General
Portfolio of Legal Affairs	KPMG
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	PKF
Cayman National Cultural Foundation	KPMG

Entity	Auditor
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	PwC
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	PKF
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 2014/15

Reports Issued during 2014/15

Report	Date of Issue	Summary
General Report on the Performance and Financial Reporting of Statutory Authorities and Government Companies for the Year ending 30 June 2012	September 2014	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.
General Report on the Performance and Financial Reporting of Ministries and Portfolios for the Years ending 30 June 2011 and 2012	October 2014	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.
Government Programmes Supporting Those in Need	May 2015	The report examines whether social assistance programmes were strategically managed to achieve intended results and delivered with due regard for value for money
Major Capital Projects – Building Schools	May 2015	The report examines how Government managed the high school and primary school major capital projects and whether due consideration was given to achieving value for money.
National Land Development and Government Real Property	June 2015	The report examines how the Cayman Islands Government managed land use and development to meet government objectives, both for the Cayman Islands in general and for Crown Lands in particular.

Reports in Progress as at 30 June 2015

Report	Summary
Nation Building Programme	This audit is examining 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.
Managing Government Revenues	The audit is examining whether Government is efficiently and effectively managing the collection of its revenues in support of its objectives. It is focused on Governments coercive revenue streams and is being carried out in conjunction with our audit of the EPS financial statements.
IT Control and Security	Review of general IT controls on Government's main accounting systems and IT security. This work is being carried out to provide assurance for the audit of the EPS financial statements as well as part of our performance audit programme.
Scrap Metal	The audit is examining the award of a scrap metal contract.
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 2013 and 2014	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 Years ending 30 June 2013 and 2014	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 2014/15

The outputs delivered in 2014/15 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	2014/15 Actual	2014/15 Budget
<p>Quantity</p> <ul style="list-style-type: none"> • Number of reports issued to the Legislative Assembly • Number of audits in progress / partial reports at year end 	<p>5 7</p>	<p>6-8 1-3</p>
<p>Quality</p> <ul style="list-style-type: none"> • Issued reports are reviewed and signed off by Audit Manager and/or Auditor General • Request client's comments on the draft reports and amend the final report if necessary • Report recommendations are agreed to by PAC (actual not tracked) 	<p>100% 100% N/A</p>	<p>100% 100% 80-100%</p>
<p>Timeliness</p> <ul style="list-style-type: none"> • All audit reports become public documents within two weeks of submission to the Speaker of the Legislative Assembly. • All reports are publicly available through the website within two days after becoming a public document. 	<p>20% 100%</p>	<p>100% 100%</p>
<p>Location Cayman Islands: Office of the Auditor General, 3rd Floor Anderson Square, George Town, and Client premises (local & international)</p>	<p>100%</p>	<p>100%</p>
<p>Cost (of producing the Output)</p>	<p>\$657,013</p>	<p>\$625,000</p>
<p>Price (paid by PAC for the output)</p>	<p>\$628,355</p>	<p>\$625,000</p>
<p>Related Broad Outcome: 9. Restoring Prudent Fiscal Management</p>		

AUD 8	Support Services to the National Hurricane Committee and Hazard Management	
<p>Description</p> <p>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.</p>		
<p>Measures</p> <p>Quantity</p> <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>2014/15 Actual</p> <p>0 0 1 0</p>	<p>2014/15 Budget</p> <p>3 1-2 1 0-1</p>
<p>Quality</p> <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 N/A 100% N/A</p>	<p>100% 80-100% 100% 80-100%</p>
<p>Timeliness</p> <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% 0% 100% N/A</p>	<p>100% 100% 100% 80-100%</p>
<p>Location</p> <p>Cayman Islands</p>	<p>100%</p>	<p>100%</p>
<p>Cost (of producing the Output)</p>	<p>\$1,773</p>	<p>\$25,000</p>
<p>Price (paid by PAC for the output)</p>	<p>\$3,225</p>	<p>\$25,000</p>
<p>Related Broad Outcome</p> <p>9. Restoring Prudent Fiscal Management</p>		

Contact us

Physical Address:

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

Business hours:

8:30am - 4:30pm

Mailing Address:

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Complaints

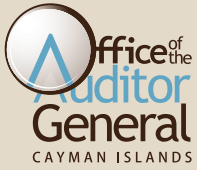
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Garnet Harrison at our address, telephone or fax number or alternatively email: garnet.harrison@oag.gov.ky

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



September 2015