

Annual Report - 31 December 2021

Providing Value to the People of the Cayman Islands





To help the public
service spend wisely

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FOREWORD BY THE AUDITOR GENERAL

Providing Value to the People of the Cayman Islands

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 31 December 2021 in accordance with Section 69 of the *Public Management and Finance Act (2020 Revision)*.

It remains a privilege to lead the Office ensuring that it continues to deliver value to the people of the Cayman Islands through playing its part in improving Government’s financial management and the economic, efficient and effective delivery of Cayman’s various public services.

My Office plays a critical role in the governance framework of the Cayman Islands and holds government to account, especially by working through the Public Accounts Committee (PAC).

OAG had a successful 2021, delivering on our mandate, while managing a range of changes and challenges including an election bringing in a change of government, the ongoing challenges presented by COVID-19 and in August, we had work disruption caused by Tropical Storm Grace which damaged much of Grand Cayman.

In February 2021 the Government called an early election, bringing forward the election day by six weeks to 14th April 2021. This meant that we had to quickly put some of our planned work on hold to avoid publishing reports in the run up to the election. As a result of the



election, a new Government was formed. This resulted in a re-organisation of core government, with some new ministries created, others eliminated, and a number being significantly changed. Our Office worked through the implications of this with the Ministry of Finance and Economic Development senior civil servants, considering accounting standards, to determine the impact on the number of audits. The result was a significant increase in the number of core government entities to be audited for the 2021 financial year, which we had implications for our resource planning, workforce and budget. The outcome of the election also resulted in a new Public Accounts Committee, our main stakeholder. I am grateful to the 2017 to 2021 PAC members, Mr. D. Ezzard Miller, the Chairman and Ms. Barbara Conolly, Msrs. Bernie Bush, Chris Saunders, Austin Harris and from 2020, David Wight, for their unwavering

commitment to their PAC responsibilities, their excellent attention to detail in the conduct of witness sessions and their ongoing support for the work and value of my Office. It has been a pleasure to serve them during the past four years. During the latter half of 2021, I began working with the new PAC comprising Ms. Barbara Conolly, Katherine Ebanks-Wilkes, Heather Bodden, Msrs. Isaac Rankine and Dwayne Seymour under the Chairmanship of Mr. Roy McTaggart.

For much of the year, the Cayman Islands managed to avoid the significant impact that the COVID-19 pandemic continued to have globally. However, in September 2021, we experienced our first significant cases of community transmission, which led to a number of restrictions being re-introduced. These included the requirement to have a maximum of only half of our staff in the office at any time and the introduction of routine lateral flow testing for staff. The Office introduced a remote working policy during 2020 as a result of the pandemic and this allowed us to quickly meet these requirements.

Our strategic plan (2019-2023) remains current and includes the following four 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 Parliament and other stakeholders.
- Encouraging improvement through **leading by example**.

- Continually **developing our people**.

The achievement of these objectives is driven by the core activities of the OAG: the financial audits of Government and its entities, and performance audits reporting on the economy, efficiency, and effectiveness of the Government's activities and public spending. We deliver a greater impact by working closely with the PAC in holding Government to account for its spending and for providing value for money in public services and supporting PAC is always a key focus of mine.

Strategic Priority Area 1: Strengthening Public Services

- Timely conduct of high-quality, evidence based, relevant audits.
- Impactful recommendations.
- Follow up on implementation of recommendations.
- Drive transparency in the public service.
- Drive accountability.

Our 2021 position under this area was very strong. On the financial audit practice side, 37 entities had their 2020 financial audits conducted and completed in 2021 of which 34 were by the 30th April statutory deadline. We produced a general report to Parliament on the 2020 financial audits and continued to work through backlogged audits. In the latter half of 2021, we undertook planning and interim audits in preparation for the 2021 year end audits. We also finalized audits for 2016 through to 2020 for the Police Welfare Fund and undertook the first bankruptcy audit for many years.

We produced two performance audit reports in 2021 and followed up on past PAC recommendations. We also started work on several special pieces of work as a direct result of requests after the election. We met our output agreement targets.

Strategic Priority Area 2: Demonstrating Relevance

- Focusing our work on issues of national importance or priority, and at a point in time when the impact is greatest.
- Communicate clearly and effectively with all stakeholders.
- Ensure efficient and effective audits, leveraging technology where possible.
- Adding value to the clients' business.
- Actively contribute to improving both the regional and international audit community.

Progress during the year continued to be strong. We engaged early with the new PAC and worked hard to build trust and engagements and as a consequence of the election, we reviewed our forward performance audit programme to ensure it reflected the new Government's strategic priorities to ensure relevance and focus on key risks. Significantly in the second half of the year, there was a request to do additional pieces of work looking at the establishment of overseas offices and participation in the Dubai World Expo, the procurement of lateral flow test kits and performance audit work on the Regen waste management contract was accelerated at the request of the new government.

International and regional work continued through INTOSAI, CAROSAI and the UK overseas territories programme and my work on the INTOSAI task force for international auditor

professionalization ended with the production of a new set of global guidance.

Strategic Priority Area 3: Leading by Example

- Proactively demonstrating good governance.
- Complying with international audit standards and good practice.
- Operate to the highest ethical standards.

We made good progress on this area during the year. Our financial statements and annual report were produced by the statutory deadline and we received an unqualified audit opinion from our auditors in early March. Work started on our practice audit manuals which should be completed in 2022 and both areas of audit practice work to relevant international audit standards. The request to undertake additional investigative type work through the Governor and new Cabinet is a testimony to our constant push to maintain the highest ethical and governance standards in OAG.

Strategic Priority Area 4: Developing our People

- Provide a continuous learning and development environment for staff.
- Be an exemplar employer.
- Develop Caymanians in public sector audit.

During 2021, we continued with a wide range of learning and development opportunities for staff including secondments to other organisations. We effected the restructure of the office to create a third Audit Manager post. After a highly competitive recruitment round, Adrian Murenzi was promoted to this role. During 2021, in addition to replacing the promotion, two other Audit Project Leaders left

OAG and we recruited three new APLs into post, welcoming Tabitha Ng'oo, Innocent Mbaguta and Desigan Thaver to our team. Our challenge always is recruiting and retaining Caymanian auditors and we sadly lost our two Caymanian audit trainees at the end of 2021 (one not returning from her secondment) and so will need to recruit replacements in early 2022.

Our cross-government perspective places us in a powerful position to understand the systemic issues that prevent the Government from achieving its objectives. Therefore, we have a great opportunity to work collaboratively with government officials to provide a greater impact by adding value and looking for ways to support Government, as it implements its change and reform agenda, and delivers a number of key infrastructure projects.

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 through the PAC helps ensure that our work adds value by holding government officials to account and recommending improvements.

Government officials and our appointed auditors that we use for several entity audits 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 Parliament.

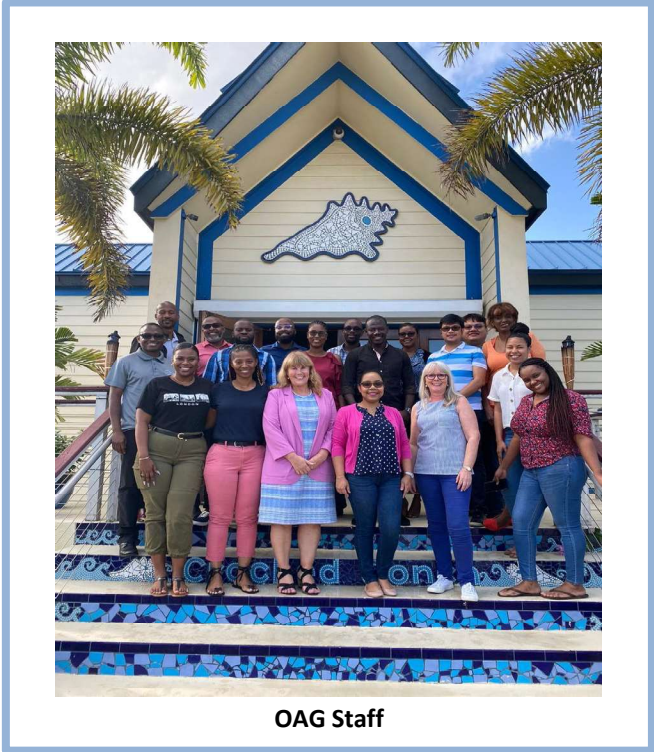
Finally, I want to thank the dedicated team of staff who contribute their experience, skills and hard work to fulfill our mandate in providing assurance and advice to the Parliament and the Government. The reports issued to the Parliament and our ongoing strong reputation are the result of their hard work.

It was particularly pleasing that in July 2021, Patrick Smith, Deputy Auditor General (Financial Audit), got married and with most of the Office



able to join in the celebrations, this really was the highlight of the OAG year.

I look forward to continuing to lead the Office, so that we continue to play our part in helping the public service spend wisely for the present and future benefit of the people of the Cayman Islands.



Sue Winspear, CPFA

Auditor General



18 March 2022

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 not only assurance on the financial statements but also 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, *“In the exercise of his or her functions, the Auditor General (and any person acting on his or her behalf in the exercise of those functions) shall not be subject to the direction or control of any other person or authority, save that the Auditor General is answerable to the Public Accounts Committee of the Parliament and must attend upon the Committee at its request.”*

members who provide resources and are representatives of the people, 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 programmes must be effective, transparent, and accountable to the public. One important responsibility of the Parliament is to hold the Government accountable for its management of public resources. This work is conducted primarily through the Public Accounts Committee (PAC).

The Office of the Auditor General (the Office) contributes to the accountability process as the auditor of the Government, including all of its various types of public service entities. The Office helps the Parliament hold the Government accountable for how it manages public resources by undertaking financial statement audits for the entire public sector and across forty public sector entities; our performance audits promote the economic, efficient, and effective use of public resources.

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 has reliable plans, financial reports and performance information and whether it uses effective processes to safeguard the resources with which it is entrusted, including compliance with laws, regulations and other relevant authorities.

The Office also does the following:

- supports the PAC in carrying out its mandate;
- makes recommendations for improvement in the Government's management of public resources and public services;
- encourages discussion and debate about public sector management and accountability issues;
- provides advice to government committees;
- encourages professionalism in the public service;
- develops marketable professionals for the public sector and more widely;
- adheres to the professional assurance standards as published by the International Audit and Assurance Standards Board and the International Organisation of Supreme Audit Institutions (INTOSAI);
- supports Supreme Audit Institutions (SAIs) in the Caribbean region and globally through the Caribbean Organisation of Supreme Audit Institutions (CAROSAI) and INTOSAI.

The work and reports of the Office contribute to strong and effective processes and procedures, and informed decision making in the Government. This in turn helps the Government use sound management practices to achieve good results with public resources.

OUR STRATEGY

The OAG's five-year strategic plan for 2019–2023 includes the following four 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 Parliament and other stakeholders.
- Encouraging improvement through **leading by example**.
- Continuously **developing our people**.

Exhibit 1 and the Auditor General's introduction provides more detail on each of the strategic objectives.

The core activities of the OAG will continue to be the financial audit of the Government and its agencies; and performance audits reporting on the economy, efficiency and effectiveness of public spending to the Legislative Assembly. Holding the Government to account for its spending and for providing value for money in public services endures as our fundamental area of focus.

We have already started to implement some elements of the new strategy. For example, we have introduced annual operational resource plans to better support the delivery of our work (see pages 24-25 for more detail). Focusing on our new strategic objective of continuously

developing our people, it is pleasing that our staff survey results remain strong and 80% are satisfied with their learning and development. We are nonetheless disappointed that this score and several others were lower than in the previous year and intend to address this through developing an action plan for improvement (see page 29 for more information on the 2021 employee engagement results).

We have also continued to develop our other corporate planning mechanisms, including operations and resources, to support the strategic planning of the Office.

We will continue to strive to deliver a quality service to the Parliament and the entities that we audit where these key stakeholders can see the value that our work brings to improving financial management and the delivery of public services.

Exhibit 1 – OAG Strategic Objectives

<p>1. Strengthening Public Services</p> <p>We will help strengthen accountability, transparency, and the delivery of services in the public sector.</p> <p>As the auditor of government spending, our work gives us direct 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, reliable and evidence-based 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.</p>	<p>2. Demonstrating Relevance</p> <p>In our work we will demonstrate our relevance by taking into account the views of our external stakeholders, including those who use public services, and ensure that we are focusing on the areas most relevant to them.</p> <p>We place great importance on relationships with all of our stakeholders: the Parliament and particularly the PAC, elected and appointed officials, public entities, professional organisations, and all people of the Cayman Islands.</p> <p>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.</p>
<p>3. Leading by Example</p> <p>We will be agile, adapt to change and lead by example as individuals and as an organisation.</p> <p>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 flexible is important to ensuring that we remain relevant and that we can remain a model organization, leading by example locally, regionally and internationally.</p>	<p>4. Developing our People</p> <p>We will continuously invest in OAG staff through targeted professional development, coaching, mentoring, and offering an appropriate reward package (recognising our constraints as part of the civil service).</p> <p>To effectively deliver on our mandate, it is essential that the Office have a motivated, skilled and high-performing workforce that can effectively meet the challenges demanded by our diverse range of work.</p> <p>To meet our profession’s requirements, we are also obligated to ensure that our staff maintain and enhance certain professional skills, knowledge and capacity to carry out their duties.</p> <p>We will focus on enriching jobs, developing skills and capacity, and creating opportunities for career progression within or outside of the OAG.</p> <p>We will actively work to increase the number of Caymanians in our Office through offering professional training opportunities to build a pipeline of qualified auditors for the future.</p>

OUR WORK

Through all of our work we aim to hold the Government to account for how it manages and spends the resources at its disposal while supporting it to continuously improve the programmes and services it provides to stakeholders.

FINANCIAL AUDIT

Our financial audit work helps the Parliament hold organisations to account for around \$980 million of annual expenditures, over \$2.9 billion in total assets and \$1.4 billion in total liabilities. Our audits provide independent assurance to the Parliament on how public money has been spent, how revenue has been generated, and whether assets have been safeguarded and liabilities are fully recognised.

The findings and recommendations from our financial audits should help focus attention on, and stimulate improvement in, governance and internal controls; enhance financial management; and ensure the quality of information that government entities use to make decisions.

ENTITY FINANCIAL STATEMENTS

The *Public Management and Finance Act* sets the statutory deadlines for the submission of draft financial statements as end of February each year and states that the annual audits should be completed within two months, that is 30th April each year.

Our audit cycle covers three main elements: planning the audit, interim audit and completion of the audit.

FINANCIAL STATEMENT AUDITS FOR 2020

In 2021, we completed the 2020 financial statements audits and issued audit opinions for 37 individual entities (Ministries, Portfolios and Offices and Statutory Authorities and Government Companies (SAGCs)) (2020: 36). By the end of the statutory deadline of 30th April, we had completed and issued audit opinions for 34 entities.

Of the 37 audit opinions issued, 36 were unqualified. I issued a qualified audit opinion for the University College of the Cayman Islands (UCCI). This was because I could not determine if the amounts presented for revenue and cost of sales for UCCI's canteen operations were fairly stated.

BACKLOGGED AUDITS

During 2021 we continued to work cooperatively with the Government to try and clear the backlog of audits. However, the plans to complete all outstanding financial statements by 31 December 2021 was not achieved.

During 2021, we completed three audits from the prior year (2019) for Cayman Airways Limited, the Utility Regulation and Competition Office, and the National Housing and Development Trust. All three entities were issued with unqualified audit opinions, although

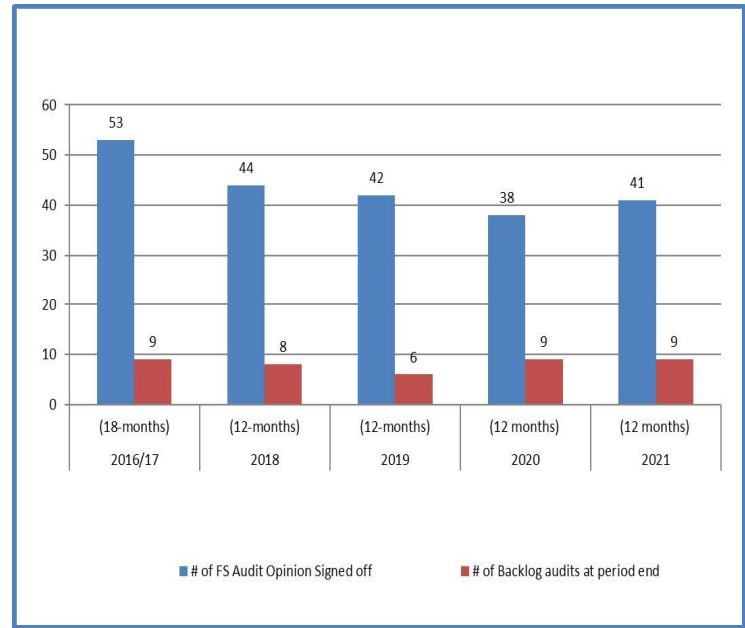
the audit opinion for Cayman Airways Limited’s 2019 financial statements had an emphasis of matter paragraph regarding the entity’s continued need of financial support from the Cayman Islands Government to enable it to remain as a going concern and to meet its financial obligations.

As at 31 December 2021, a total of nine audits for five entities’ financial statements were outstanding (31 December 2020: nine entities). Of these, four entity audits for the 2020 financial statement year had yet to be completed at the year-end: the Ministry of Health, Cayman Islands Airport Authority (CIAA), Cayman Airways Limited, and Cayman Turtle Conservation and Education Centre Limited (CTC). In addition, we had yet to complete five audits for prior years by the end of 2021. The Ministry of Health’s audits for the three financial years 2016–17 (18-month period), 2018 and 2019 remained outstanding. The CIAA continued to have two audits outstanding for its 2018 and 2019 financial statements.

The prolonged delays in completing the financial statements audits were as a result of a variety of client-related issues.

Exhibit 2 shows the trend in the number of all financial statement audit opinions that we signed off during the five years from 2016-17 to 2021. It also shows the number backlogged audits at the end of December each year.

Exhibit 2 – Number of entity financial statement audit opinions signed during the financial year and the number of backlogged audits at the period end (2016-17 to 2021)



Note: 2016–17 covered an 18-month period

FINANCIAL STATEMENT AUDITS FOR 2021

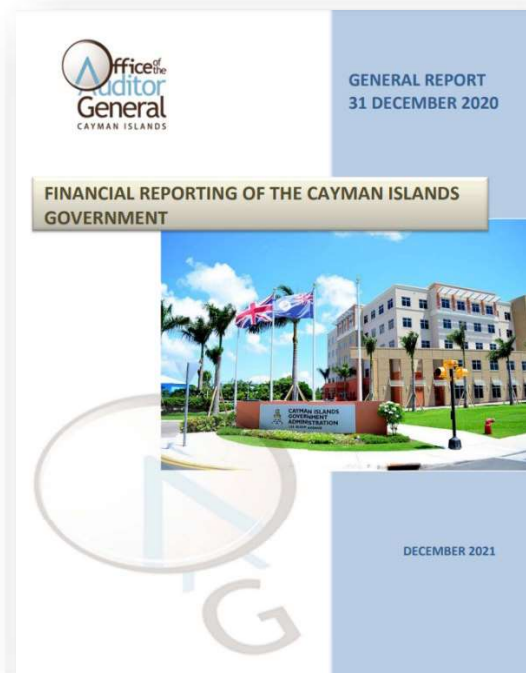
During the year we started our 2021 financial statements’ audits; the number of audits has increased from 2020. The Parliament was established as an entity in its own right from January 2021 and as a result of the 2021 elections, the Cayman Islands Government was reorganised. The reorganisation resulted in three entities being discontinued, some continued, some restructured and seven new entities created. This resulted in an increase in the number of core government entities from July 2021; an increase from 16 core government entities on an ongoing basis to 20. Overall, the reorganisation has resulted in a large increase in the number of audits to be completed for the

2021 financial year; 49 audits compared to 42 in the previous year.

We started planning our audits of the 2021 financial statements in September 2021 and carried out interim audit work for the majority of entities between October and December. The audits will be completed in 2022.

IMPACT OF OUR FINANCIAL AUDIT WORK

In December 2021, the Office published the General Report summarising the financial performance of core government entities and SAGCs for the 2020 financial year.



The General Report show that our work is continuing to have an impact on the timeliness and quality of financial reporting.

Exhibit 3 overleaf summarises the audit opinions issued over the last five years (2015-16

to 2020) and shows that the quality of annual financial statements has improved, with most entities now receiving unqualified audit opinions. As reported earlier, of the 2020 audits completed by the year end, one entity received a qualified audit opinion.

An important part of accountability and transparency is the reporting of performance and publication of annual reports and financial statements.

We reported that there has been a marked increase in the number of entities preparing and tabling annual reports rather than only financial statements, which enhances financial accountability. We also noted that there was a significant improvement in laying these documents in the Parliament recently; this is the point at which they became public. However, timely submission continues to be an area of concern.

Exhibit 4 overleaf provides a summary of the number of financial statement audits completed, the number of backlogged audits, and the number of financial statements and annual reports tabled in the Parliament for the five financial periods from 2015-16 to 2020. This shows that progress has been made on tabling entities' Annual Reports in a timely manner, but improvement is still needed.

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.

Exhibit 3 – Audit opinions issued on all entity financial statements (2015-16 to 2020)

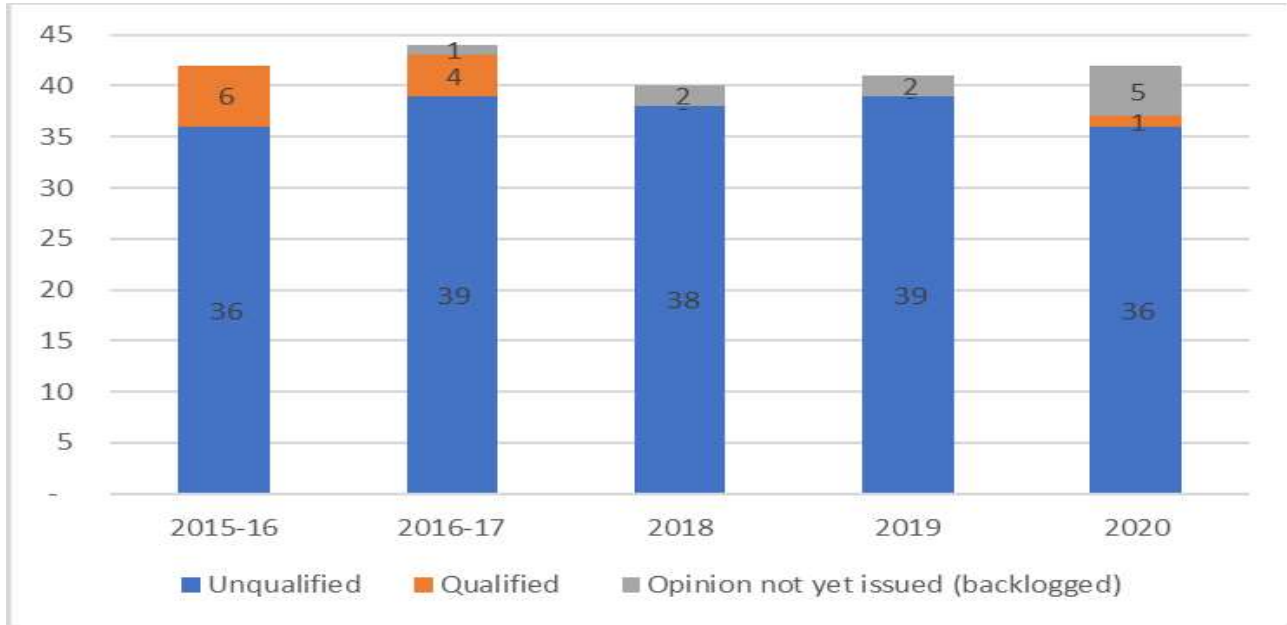


Exhibit 4 – Status of all audits for the five years 2015-16 to 2020, and Annual Reports tabled in Parliament as at 31 December 2021

Year	Total number of entities	Audits		Annual Reports/Financial Statements tabled in the Parliament	
		Completed	Outstanding	Number	% of audits completed
2020	42	37	5	22	59%
2019	41	39	2	32	82%
2018	40	38	2	33	87%
2016-17	44	43	1	38	88%
2015-16	42	42	0	31	

Note: Financial statements are audited during the following financial year e.g. the 2020 financial statements were audited during 2021.

ENTIRE PUBLIC SECTOR (EPS) FINANCIAL STATEMENTS

The EPS financial statements include all of the executive expenditures of Government, which include transfer payments, executive expenses and loan transactions that are not reported in any of the individual entity financial statements. The EPS financial statements include the coercive revenues (meaning revenue earned by the core government using the coercive power of the state and for which no direct exchange of service occurs).

During 2021, we were able to complete the audit of the EPS financial statements for the 2018 financial year. However, the audits of the financial statements for 2019 and 2020 had yet to be completed at the end of the year.

The commencement of the 2019 EPS audit was delayed as there were a number of 2019 entity audits in a backlogged stage and the outcome of these audits materially impacted the financial reporting of the EPS. It was therefore previously agreed between the Treasury and OAG that the commencement of the 2019 EPS audit would be deferred until the entity audits were completed. At the end of 2021, the audit of the EPS financial statements for 2019 was at the completion stage and we expect that it will be signed off in 2022.

During 2021, we started the planning for the audit of the 2020 EPS financial statements and we expect to complete the audit during 2022.

Exhibit 5 overleaf outlines the progress made in the EPS financial statements over the years and shows that audit opinions moved from a disclaimed opinion to an adverse opinion in 2012–13. Audit opinions for subsequent years have continued to be adverse as some significant issues remain which are still to be addressed. We reported on these issues in our most recent General Report.

We have concerns in relation to the tabling of EPS financial statements as there continue to be significant delays in tabling audited EPS financial statements. This significantly reduces transparency and accountability.

The last set of EPS financial statements tabled was for financial year 2015–16 in March 2018. Despite the audits of the 2016–17 and 2018 EPS financial statements being signed off they have yet to be tabled in the Parliament. In addition, there are three sets of signed EPS financial statements from earlier years that have yet to be tabled. Exhibit 5 also provides information on the dates that audited EPS financial statements were tabled in the Parliament.

Exhibit 5 – EPS audit progress

Year	Date audit completed or progress	Audit opinion	Tabled in the Legislative Assembly
2020	In progress		
2019	In progress		
2018	10 August 2021	Adverse	
2016-17	9 September 2019	Adverse	
2015-16	19 October 2017	Adverse	16 March 2018
2014-15	7 December 2016	Adverse	27 March 2017
2013-14	30 September 2015	Adverse	24 June 2016
2012-13	1 June 2015	Disclaimed	
2011-12	1 June 2015	Disclaimed	
2010-11	25 July 2013	Disclaimed	9 April 2014
2009-10	17 November 2014	Disclaimed	
2008-09	6 May 2014	Disclaimed	8 December 2014

OTHER AUDITS AND STATUTORY WORK

During 2021, the Office completed the first bankruptcy audit for almost twenty years, working with Deloitte as the liquidator and four audits of the Police Welfare Funds for the years 2016, 2017, 2018 and 2019.

In addition, the Office completed the review of water rates for the Water Authority of the Cayman Islands as required by The Water Authority Regulations.

SPECIAL INVESTIGATIONS

During the year, the Office was asked to carry out a number of special investigations. We were asked to carry out work on the overseas offices, the procurement of Lateral Flow Tests, and the waste management (Regen) contract. A report on the overseas offices was presented to the Governor, who requested the investigation in

November 2021. The work on Regen was turned into a performance audit and a report will be published during 2022. The other review was ongoing at year end and will be concluded in early 2022. The report will be issued to Cabinet through the Governor.

Carrying out these special investigations meant that we had to deprioritise some of our planned work. This included rescheduling some performance audits, including the final report in the series on *Improving Financial Accountability and Transparency*, and delaying work to complete the financial audit and performance audit manuals, the quality assurance framework and the Auditor General Act.

AUDITING STANDARDS AND ETHICS

We conduct our financial audit work in accordance with International Standards on Auditing (ISAs), 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 working under a qualified member. During the year, fifteen financial statement audits were conducted by local audit firms on behalf of the Office of the Auditor General for the 2020 financial year. See Appendix 1 for a listing of who conducted these audits.

PERFORMANCE AUDIT

A fundamental part of our remit is to conduct audits of whether the Government and the wider public sector carries out their business economically, efficiently, and effectively. Performance auditing is carried out in accordance with the ISSAIs. Individual performance audits are based on a planned and published programme of work. The OAG published the five-year performance audit work programme for 2019–2023 in July 2019, which can be found on our website ([Performance Audit Programme 2019-2023](#)). The programme is reviewed and updated each year. During 2021 we assessed the programme against the new Government’s strategic objectives. We plan to carry out a public consultation on the performance audit programme in 2022.

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

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, along with 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.

audit reports with senior government officials is an important step that is carried out with every audit. In this step, senior officials, including the Deputy Governor for core government, confirm the factual accuracy of the information in the report before it is finalised and issued to the Parliament.

During 2021 we issued three performance audit reports:

- *Improving Financial Accountability and Transparency: Financial Management and Reporting* (May 2021);
- *Follow-up of past PAC Recommendations – Report 1* (August 2021); and
- *HSA Outpatient Pharmacy Services* (November 2021).

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

As at 31 December 2021, work was underway on a further three performance audits, a public

interest report and a series of reports following up on past recommendations. These were:

- The continuation of the Improving Financial Accountability and Transparency series – Long-Term Financial Sustainability (including the impact of COVID-19 on government finances);
- A public interest report to provide an update on COVID-19 expenditure;
- Government’s shift to online services;
- The Integrated Solid Waste Management System for the Cayman Islands (Regen); and
- A series of reports following up on past PAC (and OAG) recommendations.

IMPACT OF OUR PERFORMANCE AUDIT WORK

Our performance audit work is having an impact on the Government’s improvement of governance structures and financial management, and is helping the public service to become more efficient and effective and achieve better value for money.

In May 2021 we issued *Improving Financial Accountability and Transparency: Financial Management and Reporting*. This was the second report in our series of reports on financial accountability and transparency.

This performance audit assessed the effectiveness of the Government’s financial management and reporting. It also provided a high-level summary of financial performance, management and reporting at the EPS level, and reported on the Government’s progress with implementing the recommendations made by the Office in 2013.



The report concluded that the Government and wider public sector had significantly improved financial management and reporting. The report also concluded that the Government performed well against most of the principles of responsible financial management. However, as mentioned previously in our Financial Audit section, it also stated that significant improvements are needed to improve the quality of financial reporting at the EPS level.

The report made 16 recommendations. The Government accepted the 15 recommendations made to it. I also made a recommendation aimed at improving the process for tabling annual reports and financial statements in the Parliament.

The PAC held a witness hearing on this report in July 2021 and as a result, the PAC tabled its own report in December 2021, which endorsed our recommendations.



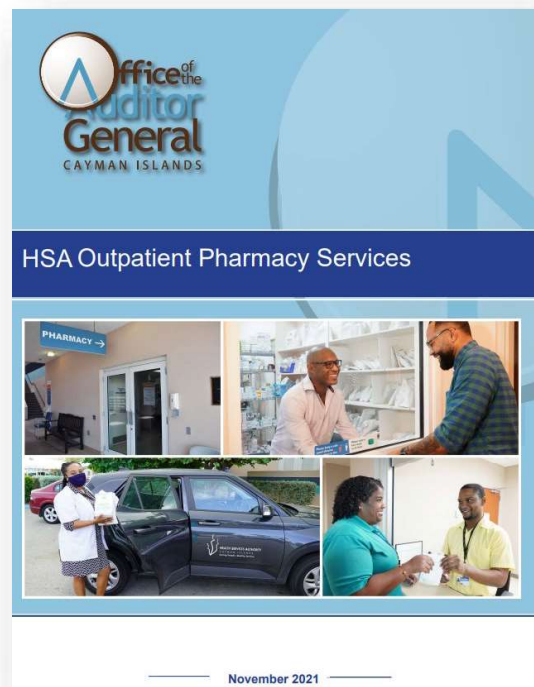
In August 2021 we issued our report *Follow Up on past PAC Recommendations – Report 1*. This was the first in a series of reports that will follow up on previous PAC and OAG recommendations.

The report concluded that the Government had fallen significantly behind in reporting back to the PAC on its implementation of OAG and PAC recommendations. The report stated that the PAC had tabled 15 reports between September 2018 and December 2020, and that the Government had responded to only nine of these by February 2021. Of those nine responses only three were submitted within the three-month timescale required by the Parliament’s Standing Orders.

The report also provided an update on the Government’s progress with implementing the recommendations made in two reports that we had previously assessed as having made limited or only some progress in 2018. These reports related to two significant policy areas, social

assistance and healthcare. We concluded that the Government had made very limited progress in implementing any of the recommendations made, despite the original OAG reports dating back to 2015 and 2017.

The PAC held witness hearings in September 2021 and tabled its own report in the Parliament in December 2021.



In November 2021 we published *HSA Outpatient Pharmacy Services*. This performance audit assessed the efficiency and effectiveness of the HSA’s outpatient pharmacy services.

The report concluded that the HSA provides a good quality pharmacy service but there was scope to improve this further, and the procurement exercise for medicines that was started in 2019, and abandoned in 2021, was not well managed. The report highlighted significant weaknesses at the national level - the legal

framework for pharmacy services is outdated and has significant gaps, creating risks for the country, and there is no national healthcare strategy.

The report made 19 recommendations; three to the Government and 16 to HSA. The HSA accepted all but one of the recommendations. The Government did not respond to the recommendations made to it.

The PAC had scheduled witness hearings on the report for January 2022.

SUPPORT AND ASSISTANCE TO THE PAC AND THE LEGISLATIVE ASSEMBLY

We work closely with the PAC to promote effective management and greater accountability for public resources.

During 2021 the PAC membership changed as a result of the April 2021 election. The Parliament was dissolved on 22 February 2021 and was formally opened on 21 April 2021.

Until 22 February 2021, the PAC continued to be under the Chairmanship of the Hon. D. Ezzard Miller; the rest of the committee members were: Ms. Barbara Conolly and Messrs. Bernie Bush, Austin Harris, Chris Saunders and David Wight.

During January 2021, the PAC held one administrative meeting and three days of public hearings on three OAG reports that were published in previous years (discussed below).

The date for the election was brought forward to 14 April from 26 May 2021, which meant that the Parliament was dissolved earlier than anticipated. As a result, the outgoing PAC did not have the opportunity to finalise its reports in relation to the above-mentioned hearings.

The new PAC was appointed on 23 April 2021 under the chairmanship of the Hon. Roy McTaggart. The other committee members are: Ms. Heather Bodden, Barbara Conolly and Kathrine Ebanks-Wilks, and Messrs. Isaac Rankine and Dwayne Seymour.

The new PAC held its first administrative meeting on 19 May 2021. At that meeting myself and my two deputies provided the committee with a briefing on the OAG and how we work to support the PAC, and presented our 2020 Annual Report, which the PAC approved for tabling in the Parliament. At that meeting, the PAC also considered the draft reports prepared by the previous committee and approved these for tabling as a single report that endorsed the OAG's recommendations.

During the remainder of the year, the PAC held a further five administrative meetings and three days of hearings on two of our reports to discuss and gather further evidence before preparing its own reports to the Parliament (discussed below).

The Auditor General and other members of our Office attended all PAC meetings in 2021.

PAC ACTIVITY DURING 2021

During the year the PAC received one general report from our Office. *Financial Reporting of the Cayman Islands Government – General Report 31 December 2020* (issued to the Parliament in December 2021). This reported on the outcome of the financial statements audits of public sector entities for the 2020 financial year (see above for more detail).

The PAC considered a number of our reports to those charged with governance (ISA 260 reports)

upon the conclusion of financial statements audits.

The PAC received two performance audit reports and a follow up on past PAC recommendations during 2021 (see above and Appendix 2 for detailed information on the reports) and held public witness hearings on two of those reports. In November 2021, the PAC agreed to hold witness hearings on the OAG report *HSA Outpatient Pharmacy Services* in January 2022. The PAC also held witness hearings in 2021 on three OAG reports from previous years.

The PAC's public hearings in 2021 covered the following five OAG reports:

- *Owen Roberts International Airport (ORIA) Terminal Redevelopment Project: Progress update as at 30 August 2018* (January 2019) – two hearings in January 2021.
- *Improving Financial Accountability and Transparency: Budgeting* (December 2020) – one hearing in January 2021.
- *Financial Reporting of the Cayman Islands Government – General Report 31 December 2019* (December 2020) – one hearing in January 2021.
- *Improving Financial Accountability and Transparency: Financial Management and Reporting* (May 2021) – one hearing in July 2021.
- *Follow-up of past PAC Recommendations – Report 1* (August 2021) – two hearings in September 2021.

During 2021, the PAC tabled three of its own reports.

On 15 July 2021, the PAC tabled a report in the Parliament that covered the work of the previous committee on the witness hearings in

January 2021. The PAC report covered the following three OAG reports that were issued during 2020 and 2019: *Owen Roberts International Airport (ORIA) Terminal Redevelopment Project: Progress update as at 30 August 2018* (January 2019), *Improving Financial Accountability and Transparency: Budgeting* (December 2020), and *Financial Reporting of the Cayman Islands Government – General Report 31 December 2019* (December 2020).

On 8 December 2021, the PAC tabled two of its reports in the Parliament based on witness hearings on the following two OAG reports:

- *Improving Financial Accountability and Transparency: Financial Management and Reporting* (May 2021).
- *Follow-up of past PAC Recommendations – Report 1* (August 2021).

The PAC also wrote to the Chief Officer of the Ministry of Health and Wellness on 30 November 2021 as a result of her witness testimony at the hearing on 29 September 2021.

COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

It is important that we engage and communicate effectively with our clients about our work and activities, and we 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 2021 the OAG team continued to meet and consult with stakeholders. We provided information and advice on many issues around areas including financial accounting,

procurement, governance and programme management. Specific activities undertaken included the following:

- The Auditor General had fortnightly meetings with the Governor and monthly meetings with the Deputy Governor. She also met with many Chief Officers of the various Ministries and Portfolios and CEOs/Managing Directors of the SAGCs.
- The Auditor General, and her Deputies as required, attended quarterly meetings of the Government’s Audit and Risk Assurance Committee.
- The Auditor General and the Deputy Auditor General (Performance Audit) met with many of the Chief Officers and CEOs/Managing Directors to discuss issues and risks relating to our performance audits.
- The Deputy Auditor General (Financial Audit) and his team also met with the Financial Secretary, Board members and other key stakeholders throughout Government to apprise them of financial statement and compliance issues noted during the completed financial statements audits as well as emerging matters and the implications for future audits.
- The Auditor General and Office also continued to maintain strong working relationships with key partners such as the Office of the Ombudsman, Anti-Corruption Commission, the Financial Crimes Investigation Unit, Internal Audit Services, Cayman Islands Institute of Professional Accountants (CIIPA) and private sector audit firms.

We also engage with the wider public through social media on our:

- website (www.auditorgeneral.gov.ky/);
- Facebook page (www.facebook.com/Office-of-the-Auditor-General); and
- LinkedIn account (<https://www.linkedin.com/company/office-of-the-auditor-general-cayman-islands>)

REGIONAL AND INTERNATIONAL WORK

Our 2019–2023 strategic plan aims to secure our position as one of the leading small audit offices in the world. One of the ways that we do this is through actively engaging in the development of international audit practice. This allows us to assist in the capacity development of other public audit offices and improve our own approach by learning from others and developing our staff.

The Office has continued to participate in a range of regional and international work during 2021. Although the way that we have done this has been affected by the COVID–19 pandemic and the ability to travel being prohibited for most of the year while the borders remained closed.

OUR WORK WITH CAROSAI AND IN THE CARIBBEAN REGION

The OAG is a member of the Caribbean Organisation of Supreme Audit Institutions (CAROSAI), which works to support and enhance the role of public audit offices throughout the region. The mission of CAROSAI is to *“contribute to its members becoming professional SAIs by supporting and promoting the strategic management, performance measurement and reporting in SAIs; the implementation of ISSAIs*

for high quality audits; and enhanced SAI Stakeholder engagement for greater audit impact.”

CAROSAI relies significantly on the contribution of its membership to support its activities. The Auditor General stood down from the CAROSAI executive management committee in 2019 but remains involved in CAROSAI and her and others in the Office provide assistance as needed and engage in regional webinars and learning activities.

OUR WORK WITH INTOSAI AND GLOBALLY

The OAG also contributes to the development of international public service audit practice through the International Organisation of Supreme Audit Institutions (INTOSAI) and its development arm, the IDI (INTOSAI Development Initiative). During the year, we were involved in the following initiatives:

- The Auditor General concluded her work on the Global Task Force working on International Auditor professionalization (TFIAP) during 2021. This group produced an ISSAI proposal for INTOSAI on developing and standardising the competencies required of public auditor around the world for approval at the next INCOSAI.
- Patrick Smith, Deputy Auditor General (Financial Audit) continued to support the IDI working group on the audit professionalization in financial auditing.
- Angela Cullen, Deputy Auditor General (Performance Audit) continued to support the IDI Strategy, Performance Measurement and Reporting Initiative. During the year she participated in a six-week online course on implementation and reporting. She also

continued to support the State Audit Office of Georgia in developing its approach, by providing feedback and advice through regular online meetings and reviewing draft documents.

The OAG continued to participate in the UK Overseas Territories “Better Governance of Public Finances” programme throughout the year:

- The Auditor General continued to participate in a number of leadership group sessions for the Auditor Generals of the UK Overseas Territories. Some of the topics covered included the developing audit manuals and quality assurance mechanisms, cybersecurity, SAI independence and audit practice information sharing.
- In February, the Auditor General co-presented with the UK National Audit Office at a webinar on ethics. All OAG staff attended this webinar.
- Throughout the year, staff attended webinars on the financial audit manual developed for the UKOTs, quality management in financial audit, and environmental auditing.
- In late November and early December, the Auditor General and other management staff participated in the UKOT Forum.
- As part of the programme the UK National Audit Office provided technical support and specialist public private partnership (PPP) expertise to the OAG for one of our performance audits. Two Audit Managers also started a mentoring programme with two directors at the UK National Audit Office to help them develop their leadership and management skills and support them in the technical aspects of their roles.

OUR ORGANISATION

Creating a culture of integrity and accountability not only improves effectiveness, it also generates a respectful, enjoyable and life-giving setting in which to work.

Tom Hanson, Ph.D.; Birgit Zacher Hanson, M.S., M.C.C., *Who Will Do What by When?*

LEADING BY EXAMPLE

As the country's external auditor reporting on how scarce public resources are used, it is very important that we lead by example in our conduct.

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 2021, the OAG continued consolidating the developments and significant changes that had occurred in the previous years. We continued to deliver the goals outlined in our strategic plan, including:

- reporting our performance through our annual report and accounts;
- ensuring that our internal controls enabled us to comply with relevant legislative requirements;
- reviewing, maintaining and developing our internal policies;
- developing and improving our approaches to support the delivery of our strategic plan;
- proactively disclosing key information about the OAG; and
- maintaining and developing our website and social media pages.

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.

In the past there have been significant challenges to our independence, in particular given constraints placed on our financial and human resources. However, we have continued to move forward the agenda of strengthening the independence of the OAG and working with Government.

In the SAI PMF (Supreme Audit Institutions Performance Measurement Framework) assessment, we carried out an analysis of the Office's independence against the independence principles for supreme audit institutions, which are supported

by the United Nations General Assembly through a resolution. The key challenge identified was ensuring that the OAG is an independent entity in both substance and form. On the basis of this analysis a number of key changes to the statutory provisions relating to the establishment of the OAG were identified that should be developed, revised or strengthened.

These included the following:

- establishment of the OAG as an entity separate from Government;
- greater independence in all financial and administrative policy matters; and
- fixed tenure of office for future Auditor Generals.

These are to be achieved through the establishment of an Office of the Auditor General Act. Work on this continued during the year.

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 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 continue to integrate 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 to ensure that we are meeting the requirements of ISSAIs.

In the coming year we will also work toward full implementation of the ISSAIs in our audit methodology. This will require the completion of manuals for both our financial audit and performance audit practices to support the updated Quality Assurance framework. As mentioned earlier, work on

these was put on hold during the year to accommodate requests for special investigations.

However, we have made some progress. As part of the UKOT programme the UK NAO provided us with support in the last quarter of 2021 to start adapting the UKOT financial audit manual to meet our purposes. This work will be completed in early 2022. During the year, we agreed to adopt the IDI performance audit manual and will adapt this to suit the needs of our office during 2022.

Unfortunately, the full implementation of our quality assurance framework has continued to be delayed due to other priorities and finite management resources. During 2021 we created a new manager post to focus on quality assurance and information technology. We have therefore identified the development of our quality assurance framework as a priority for 2022, after the completion of our IT strategy.

CORPORATE ACTIVITIES AND DEVELOPMENTS

The Office continued to receive an unqualified audit opinion on our 2020 financial statements, which were submitted and audited ahead of the statutory deadlines.

The OAG drafted an IT strategic plan in 2019 and this remains under development due to other work pressures. As mentioned above, we appointed a new Quality Assurance and IT Manager in July 2021, which will allow us to dedicate resources to this important area and finalise the strategic plan and some other IT developments during 2022.

The key goal of the strategy is using information technology to improve internal operations and enhance our delivery of services to clients. The IT strategic plan identifies four guiding principles with

supporting strategic objectives designed to improve the Office's business capabilities and systems:

- Effortless access to data, information and knowledge in a secure manner.
- Seamless collaboration across audit practices and corporate services.
- Optimal use of IT resources to improve our service delivery.
- Improving the IT competency of our employees.

During 2020, we commissioned PricewaterhouseCoopers (PwC), after a procurement exercise, to help us enhance our IT audit capacity and capability. This work continued in 2021. As a result, we expanded the number of IT assessments conducted for 2020 audit engagements, which aided in enhancing our audit approach and provided our clients with valuable system improvement recommendations.

During 2021, we continued to develop our approach to operational planning and resource planning.

Our annual operational plan sets out the activities needed to deliver against our five-year strategic plan. The corporate management team measures our performance on a quarterly basis.

Our annual resource plan sets out how we intend to make the best use of our people to deliver against our operational and strategic plans. In doing this, we aim to manage the peak workloads, particularly for financial audits, and ensure that we are able to deliver our work plans and priorities for the entire office. The resource plan also helps us make decisions about workforce planning and recruitment. We review and update this on a regular basis at our practice management team meetings.

As a direct result of the 2021 election and the reorganisation of the Government, we reviewed the

impact of this on future audits. As outlined earlier, from 2021 onwards there are more core government entities to be audited, and a peak for the 2021 financial year as new entities were created and some dissolved mid-way through the year. This has significant implications for our resourcing requirements. We fed the results of this work into our resourcing plan, which identified the need for one additional member of staff and additional temporary resources to deliver the 2021 audits.

During the year we also prepared our budget submission for the two financial years 2022 and 2023, in line with the government’s budgeting timetable. In advance of doing this, we reviewed and updated our fee rates, which are used to generate our revenues (discussed later in ‘Our Resources’). We introduced the new fee rates for work carried out for the PAC (performance audits, public interest reports and the General Report) from July 2021 and started charging these new rates for the 2021 financial statement audits.

COMMUNITY INVOLVEMENT

We encourage the staff of the OAG to get involved in community activities. However, as a result of the COVID–19 pandemic, there were limited community activities due to restrictions on the number of people able to gather. Our staff continued to play a part in the community wherever they could.

Audit Manager, Winston Sobers remains the driving force behind community group, Movers for Life, and actively encourages OAG staff and others in the local community to walk and run on a regular basis. In June, Desmond Mutava won the Wind of Hope 5k run.



Two of the OAG’s Movers for Life - Desmond Mutava and Winston Sobers



Desmond Mutava receiving his winner’s medal from the Hon. Deputy Governor for the Wind of Hope 5k

During the year, Sue Winspear, Auditor General and Angela Cullen, Deputy Auditor General (Performance Audit) continued to volunteer as cashiers and at three Breast Cancer Foundation charity events in January, April and December.

OUR PEOPLE

The Senior Management Team



Sue Winspear, CPFA, Auditor General

Responsible and accountable for the overall management of the Office.



Patrick Smith, CPA, CFE, Deputy Auditor General (Financial Audit)

Responsible for managing our in-house financial audit practice and some corporate activities.



Angela Cullen, CPFA, Deputy Auditor General (Performance Audit)

Responsible for managing our performance audit practice and some corporate activities.

The Auditor General is responsible and accountable for the overall management of the Office, and is supported by the senior management team, which consists of two Deputy Auditors General, who

oversee the day-to-day operations, with each member taking responsibility for a specific area.

The office is organised into two management teams.

- The Corporate Management Team (CMT) comprises the Auditor General, Deputy Auditors General and Corporate Services Manager. The CMT sets the policy direction, reviews the financial and staffing performance of the Office and takes all decisions relating to the corporate functions of the OAG.
- The Practice Management Team (PMT), comprises the Auditor General, Deputy Auditors General and Audit Managers. The PMT sets the direction and oversees all audit practice related matters, including resourcing decisions and learning and development.

As previously mentioned, the Office introduced an additional manager post during the year. The three manager posts now consist of one that focuses solely on the financial audit practice, one manager that focuses mainly on performance audit but also has provides some financial audit oversight, and a new manager to focus on quality assurance and information technology. We carried out a recruitment exercise in the summer to fill the two manager posts for Quality Assurance and Information Technology, and Performance Audit, and the staff took up post in July 2021.

This new management structure allowed us to introduce a matrix management approach for our audit staff. Each of the three managers is now

Corporate Management Team includes Senior Management Team (above) and the Corporate Services Manager.



Katrina Thomas, Corporate Services Manager
Manages OAG's corporate functions.

Practice Management Team includes Senior Management Team (above) and the two Audit Managers.



Julius Aurelio, CPA, Audit Manager (Quality Assurance and Information Technology)
Manages a portfolio of outsourced financial audits and IT audits. Provides IT support and undertakes quality assurance of both audit practices.



Winston Sobers, FCCA, Audit Manager (Financial Audit)
Manages the majority of in-house financial audits.



Adrian Murenzi, ACCA, Audit Manager (Performance Audit)
Manages performance audits and a portfolio of in-house financial audits.

responsible for the development and administrative management of a small group of audit staff.

The management was supported during the year by a team of twelve audit staff, two audit trainees and an administrative officer. Our auditors are all fully qualified members of professional accountancy bodies, with the exception of one who is part-qualified and two audit trainees.

Although we continued to have the same number of audit staff during the year, there were a number of changes. Two of our experienced Audit Project Leaders (APLs) left employment during the summer, and another was promoted to Audit Manager. The recruitment exercise to replace these APLs resulted in one new APL joining us in July and a further two in October. For the first time in my tenure as Auditor General we were unable to recruit on island and had to recruit from overseas for one of these posts.

During 2021, we also experienced significant change with our professional audit trainees. One of our trainees was on secondment to CIMA for the second half of the year (and subsequently left to join CIMA on a permanent basis in February 2022). The other audit trainee left our employment at the end of December 2021.

The ethics and independence of OAG staff are critical to the Office's success. All members of staff are required annually to confirm compliance with the Code of Conduct and to 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 STAFF ENGAGEMENT

Our staff are important to us, which is reflected in our strategic objective ‘Developing our People’. We aim to be an exemplary employer, develop Caymanians in public sector audit, and provide opportunities for the continuous learning and development of our staff.

As in previous years, the Office participated in the Cayman Islands Government staff engagement survey in late 2021. This allows us to measure our own staff engagement and benchmark against the rest of the civil service.

In 2021, 80 per cent of our staff responded to the survey (2020: 95 per cent) and our overall employee engagement was 82 per cent (2020: 88 per cent). Although still high, our response rate, overall engagement index and scores for most of the engagement indicators were lower than in previous years, which is disappointing.

We will explore the reasons for this dip in staff engagement and other indicators and identify any actions needed to address these in early 2022.

Exhibit 6 provides a summary of the staff survey results.

Exhibit 6 – OAG Employment Engagement Survey 2021



OFFICE OF THE AUDITOR GENERAL

Returns : 16

Response rate : 80%

Civil Service Engagement Survey 2021

↔ Statistically significant difference from comparison

Employee engagement is shaped by experience at work, as measured by nine themes in the survey shown below.



STAFF LEARNING AND DEVELOPMENT

The continuous development of our staff is important and it is essential that we have appropriately skilled and trained people to effectively deliver our mandate. This includes keeping our core financial audit skills up to date and developing our skills for performance and information technology audit. Developing our skills also helps us contribute to wider government activities.

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. I reported last year that we had updated our competency framework and performance appraisal forms to align with the global competency framework for public sector auditors. This moved us away from the competency framework used across the civil service, but is more appropriate for our staff as it is tailored for public sector auditors. During 2021, we completed our first set of annual performance appraisals using new competency framework.

During 2021, we completed our annual review and update of our Learning and Development plan. This plan covers 12 months but spans two financial years as it is prepared after the annual performance appraisals that are completed mid-year. Our assessment of learning and development needed and what to prioritise was based on both development needs identified by staff during their performance appraisals and at training events during the year, and development needs identified by management. The plan aims to ensure that all staff are

provided with suitable training opportunities to ensure continual professional development and other opportunities to support them to learn and grow, and help us deliver on our strategic priorities.

During the year, our two audit trainees continued their studies for their professional accountancy qualifications and one trainee passed the Counter Fraud Examiners qualification at the end of the year.

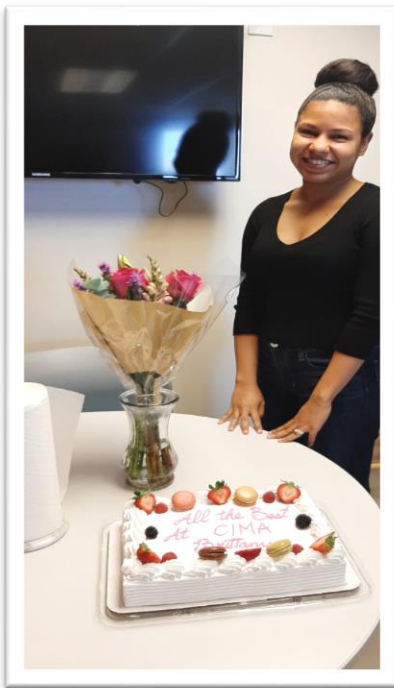
We continued to develop our in-house performance audit practice, which has helped develop the skills and experience of our audit staff in this type of audit. It also helps create more synergy between our two audit practices. By the end of 2021 almost all audit staff had worked on a performance audit and those staff who had yet to do a performance audit were allocated to start one during 2022. As noted earlier, three new APLs started in the second half of 2021.

In the first half of the year, prior to appointing a third Audit Manager, several APLs were again provided with the opportunity to operate as acting Audit Manager alongside their substantive APL roles. This provided staff development opportunities, specifically in relation to financial audit review and management work. We did this on a rotational basis for two to three months at a time. During January and February, Sasha Rochester and Zenobia Badley were Acting Audit Managers, and from March to June, Kwame Afrane and Ruel Huet carried out these roles.

During 2021, we continued to have a number of outward and inward secondments. Gay Frye returned to the OAG from secondment to the Cayman Islands Bureau of Financial

Investigation (CIBFI) in January. As mentioned earlier, in June 2021, Brittany Clarke, one of our audit trainees, was seconded to CIMA to work in one of their anti-money laundering teams for six months. During our busy interim audit period, in October and November, we seconded inward two staff from Grant Thornton, one of our audit providers, that kindly agreed to help us during this busy time.

hornton, one of our audit providers, that kindly agreed to help us during this busy time.



Brittany Clarke leaving to go on secondment to CIMA

Our staff also participated in a number of Office-wide activities and events during the year that aimed to develop the capacity of our employees, including the following:

- In January, all staff attended the annual update on International Public Sector Accounting Standards (IPSAS) for public

sector accountants and auditors, organised by CIIPA.

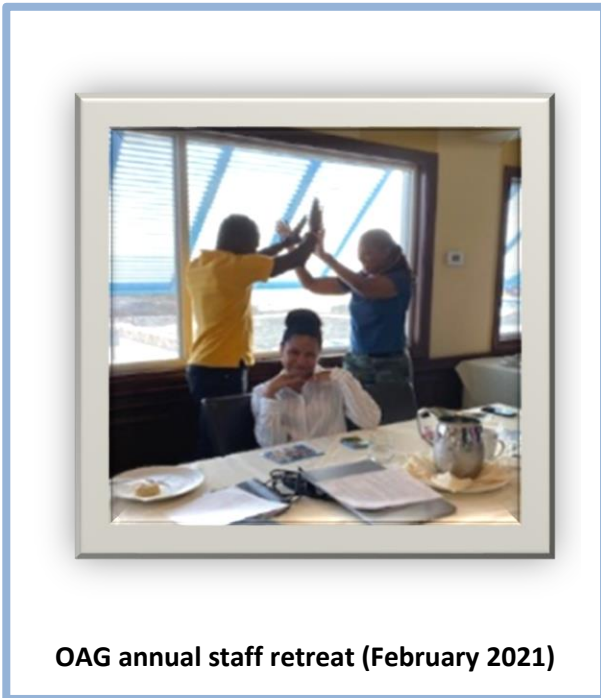
- In February, staff participated in the OAG’s annual retreat, which is essential time away from the office. Senior management developed a case study that ran throughout the two days and provided scenario-based training for staff that developed their technical, communication, negotiation and judgement skills. In addition, there were team building exercises, the UKOT Ethics session mentioned above, an inspirational speaker and a presentation by ex-Auditor General, Dan Duguay.
- In September we held our annual interim audit launch. In this event we covered a range of topics including audit risks and issues, and improvements in our audit approach and methodology.
- In December the majority of our staff attended the CIIPA Summit. The Summit included sessions on: government and economic updates; cybersecurity, sustainability and ethics.



OAG annual staff retreat (February 2021)

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

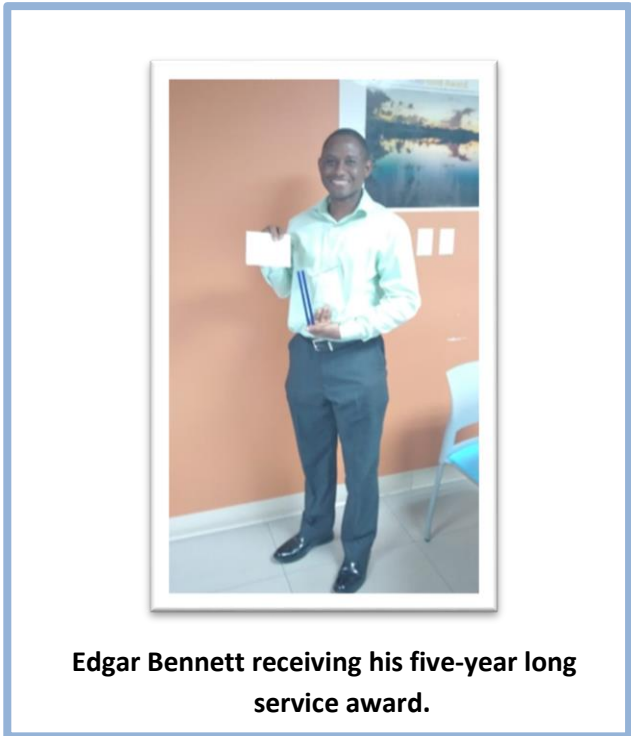
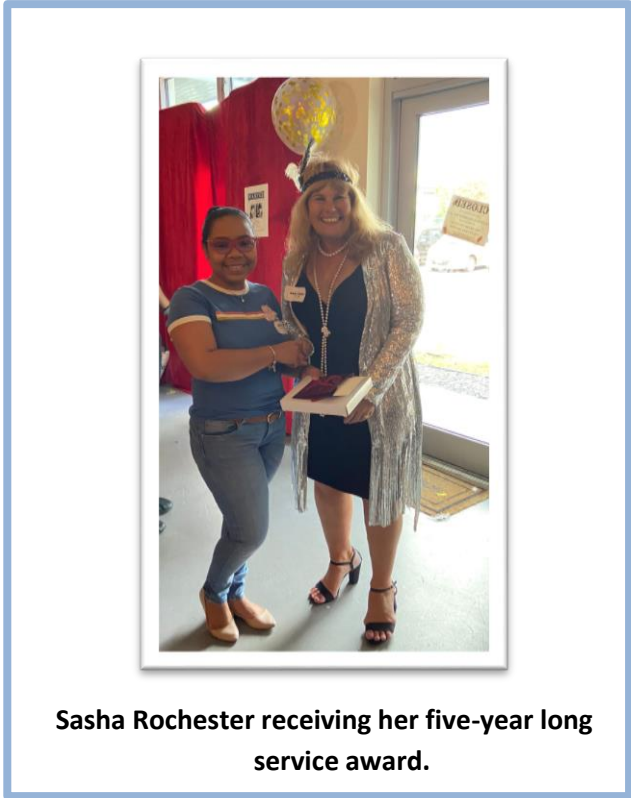
The Auditor General sits on the CIIPA steering committee that is responsible for planning the annual Summit as well as the CIIPA Ethics Committee and CIIPA Public Sector Committee. She is also a member of CIIPA's disciplinary panel. Julius Aurelio, Audit Manager, serves on CIIPA's training Committee.



RECOGNISING OUR STAFF

The OAG has a long-service award scheme to formally recognise employees' contributions to the Office at five-year intervals. In January we celebrated Wilma McLaughlin's ten-years long service. During the year we celebrated five-

years long service for Sasha Rochester and Edgar Bennett.



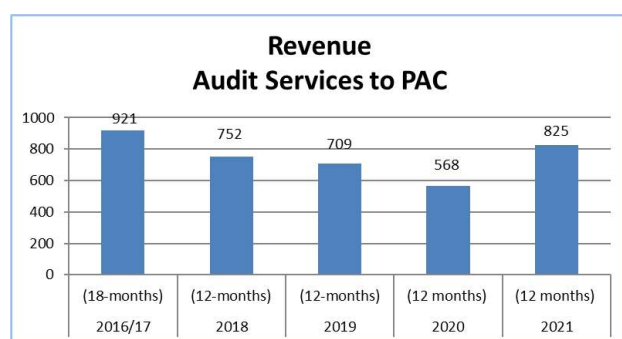
OUR RESOURCES

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

REVENUE ANALYSIS

Exhibit 7 Audit services to PAC



Expressed in Cayman Islands Dollars (Thousands)

Revenue from audit services to the PAC is directly related to the number of reports, and the complexity of those reports, that we issue to the Parliament each year.

The revenue generated from services to the PAC in 2021 was \$825k, which was less than budgeted.

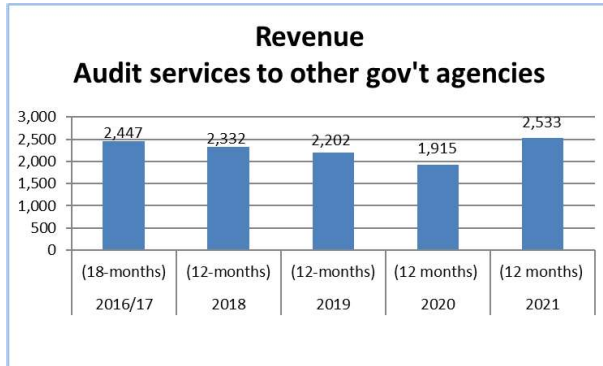
In 2021, we issued four reports to the PAC (three performance audit reports and the General Report) and five were in progress at the year-end (2020: five reports issued and five in progress).

Revenue from services to PAC was higher than the prior year, which was directly impacted by

the COVID-19 pandemic, and similar to previous years (note that 2016-17 was an 18-month period and not directly comparable). In comparing to earlier years, it is worth noting that the Office has been using more in-house staff rather than consultants to carry out performance audits since 2017; and from 2018, the Auditor General's full salary and pension were charged directly to the PAC as a statutory expense.

During 2021, we reviewed and updated our fee rates. These new rates were used for PAC billing from July 2021 onwards.

Exhibit 8 Audit services to other government agencies



Expressed in Cayman Islands Dollars (Thousands)

During 2021 we generated \$2,533k in revenue from financial audit services, which is more than the budget.

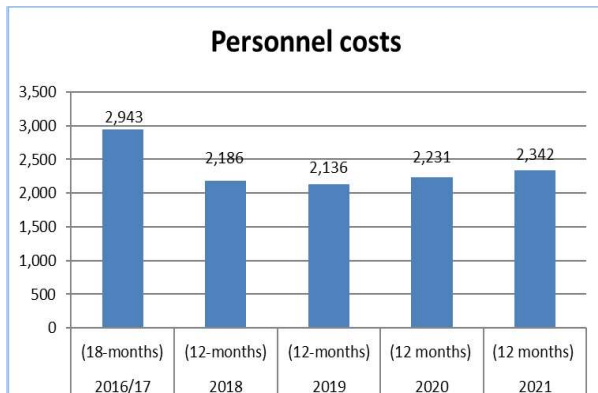
The financial audit practice generated more revenues in 2021 than in 2020 but similar to three of the past four years.

Revenue from financial audit services in the prior year was directly affected by the COVID-19 pandemic as the Deputy Auditor General (Financial Audit) was seconded to NEOC which reduced his billable time; and due to the 'lockdown' staff recorded a higher level of administrative time as it was not possible to directly engage with all clients especially during the early days of the pandemic.

Over the past five years, we have issued the following number of financial statements audit opinions: 2020: 38; 2019: 42; 2018: 44; 2016-17: 55.

EXPENSE ANALYSIS

Exhibit 9 Personnel costs



Expressed in Cayman Islands Dollars (Thousands)

In 2021 personnel costs were \$2,342k, which is slightly higher than in 2020. This was because we had more employees and we increased the number of audit managers from 2 to 3.

Actual expenditure on personnel in 2021 was less than budgeted (by \$205k). Our staffing

establishment during 2021 was 23 FTEs in 2021. The actual number of staff in post at 31 December 2021 was 22.

In summer 2021, we increased the number of Audit Managers to three (from two). However, we had one staff member out on secondment for half of the year, and experienced delays in recruiting to vacant APL posts, which contributed to the underspend against budget. *(See later for more information on the OAG staffing profile.)*

Over the five-year period, personnel costs have increased. This is due to cost of living awards to some staff in December 2016 and to all staff in July 2018 and January 2020. Our staffing profile and numbers have also changed over this period. Our staffing establishment has increased (from 20 FTEs in 2018).

Exhibit 10 Operating costs



Expressed in Cayman Islands Dollars (Thousands)

Operating costs in 2021 was \$421k, which was higher than previous three years, but \$99k less than was budgeted.

The variance between actual and budget in 2021 is largely due to operating leases expenses being less than budgeted by \$54k as the office negotiated a new lease after the budgeted was approved, which was less than the amount anticipated. Travel and subsistence was also lower than budgeted by

\$34k due to the limited travel during the year as a result of covid-19 protocols.

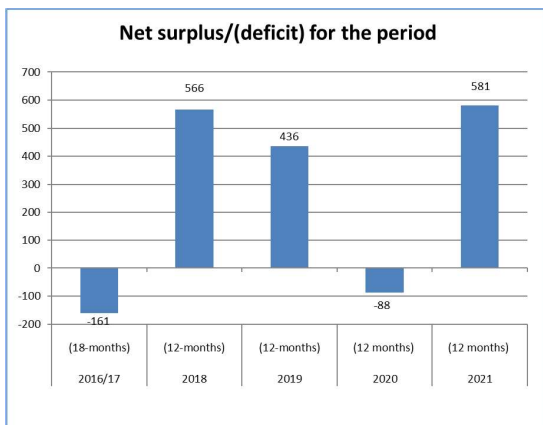
Revenue and expenses discussed in this section does not include the work undertaken on behalf of the Office by private sector audit firms. If those audits were accounted for through the Office’s financial statements, revenue and expenditure would each increase by approximately \$871k.

The Office is exploring 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 audits. However, this was not done in the recent budget process.

Most other operating expenses have remained relatively consistent over this time period.

SURPLUS/(DEFICIT) ANALYSIS

Exhibit 11 Surplus/(deficit)



Expressed in Cayman Islands Dollars (Thousands)

The Office generated a surplus of \$581k in 2021.

The Office had budgeted for a surplus of \$34k in 2021. The actual financial performance differed from that budgeted due to two factors. As reported above, our overall revenues being higher than budgeted (revenues from PAC were less than budgeted and revenues for audit services provided to government agencies were higher than budgeted). Our personnel costs and operating expenses were also less than budgeted.

Our goal is to generate a small surplus on a year-to-year basis.

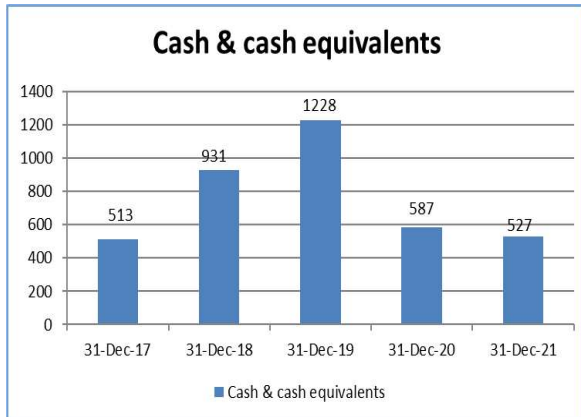
The Office has generated surpluses in three of the past five years. The deficit in 2016–17 of \$161k was a direct result of the fiscal period being 18 months and the audit fees generated for that period were less than the cost of operating for the 18 months. The deficit in

2019 was due to revenues being lower than budgeted as a direct result of the COVID-19 pandemic.

More detailed financial information is contained in our financial statements (see pages 46 - 74).

STATEMENT OF FINANCIAL POSITION TREND ANALYSIS ON SELECT ITEMS

Exhibit 12 Cash and cash equivalents



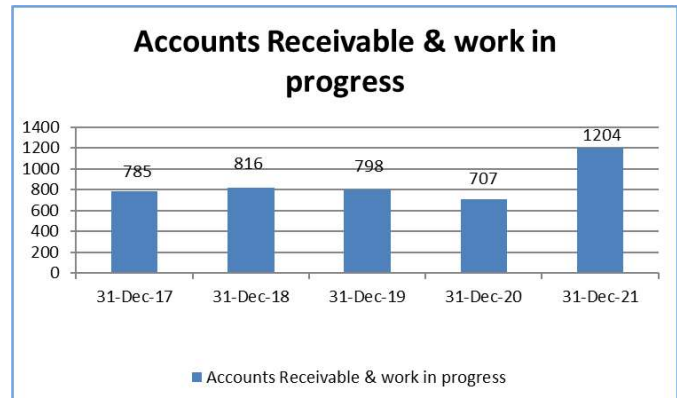
Expressed in Cayman Islands Dollars (Thousands)

We ended the year with cash and cash equivalents of \$527k. This balance is less than budget due to the office doing billings on a quarter basis for financial audit services, resulting in increased accounts receivable for fourth quarter, as these collections will be made in the first quarter of 2022.

The Office aims to maintain a cash position of two to three times our monthly expenses. We have maintained a healthy cash position over the last five years.

For further analysis of the changes in cash and cash equivalents for the year ending 31 December 2021, see the Cash Flow Statement and Note 14 to the financial statements on the reconciliation of net surplus to cash flows generated from operating activities.

Exhibit 13 Accounts receivable and work in progress



Expressed in Cayman Islands Dollars (Thousands)

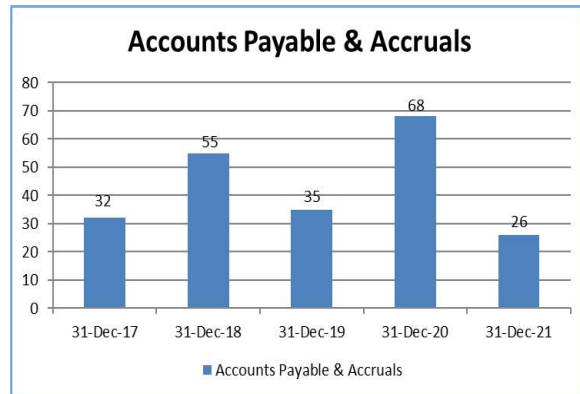
The Office had accounts receivable of \$1,204k at the end of 2021.

This is higher than prior years. It is higher than budgeted because the budget was prepared based on the methodology of progress billing, which would have allowed for an interval billing occurring before 31 December and subsequent collection within respective year. However, actual billings were done on a quarterly basis; as a result the 4th quarter billings for 2021 were processed in January 2021 resulting in them being included in accounts receivable as at 31 December 2021.

Over the past five years, we have changed our billing methodology twice. In late 2016–17 we changed the methodology so that many clients paid their audit fees for the financial statement audits in increments (50% upfront; 40% progress billing; and final 10% upon issuance of the audit opinion). In 2019 the Office revised the methodology for all clients and billings. Since then, all billings have been done on a quarterly basis for actual cost incurred on the respective audit engagement.

We typically manage our outstanding receivables to ensure that they are outstanding only for approximately two months. Even though the amount owed to the Office from the PAC, government ministries, portfolios, statutory authorities and government companies varies 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.

Exhibit 14 Accounts payable and accruals

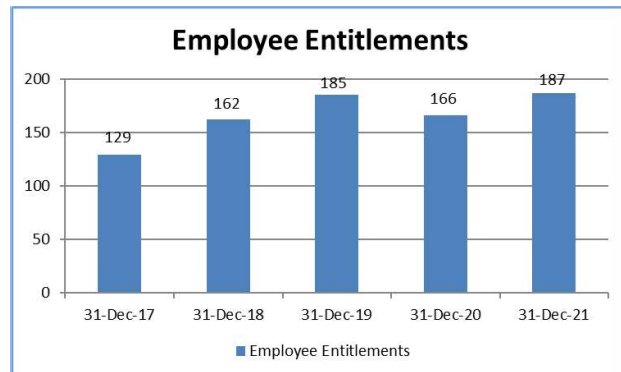


Expressed in Cayman Islands Dollars (Thousands)

Accounts payable and accruals are expected to range between \$20k and \$40k in any given year.

At the end of 2021, accounts payable and accruals were \$26k.

Exhibit 15 Employee Entitlements



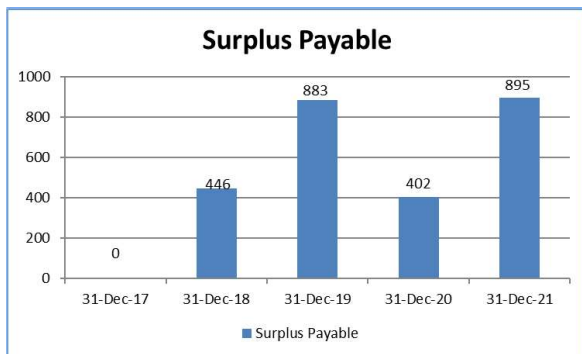
Expressed in Cayman Islands Dollars (Thousands)

Employee entitlements due at the year-end are made up of unused annual leave and time-off-in-lieu accrued during the year.

The total due for employee entitlements at the end of 2021 was \$187k. Of this, unused annual leave amounted to \$112k (2020: \$121k). The amount due for time-off-in-lieu increased from the prior year to \$75k (2020: \$45k).

The balance for employee entitlements was similar to previous years, but less than the budget. This is as a direct result of the Office actively managing annual leave and encouraging all staff to using their annual leave entitlement during 2021 in line with government policy.

Exhibit 16 Surplus payable



Expressed in Cayman Islands Dollars (Thousands)

The surplus payable is directly related to the surplus amounts achieved in each fiscal year less any repayments made to Government or any offsets for deficits incurred.

The Office generated a surplus of \$581k in 2021. No surplus was repaid during the year as the Office incurred a deficit of \$88k in the prior year, which was offset against the surplus payable of \$402k, resulting in a surplus payable at the end of 2021 of \$895k.

FINANCIAL PERFORMANCE RATIOS

Ratio	2021 Actual	2021	Variance
		Original/Final Budget	
Current Assets: Current Liabilities (Working Capital)	1.56	1.40	0.16
Total Assets: Total Liabilities	1.62	1.41	0.21

These ratios indicate that we were able to meet our current obligations as at 31 December 2021. They were higher than budgeted because unearned revenues was significantly lower than budgeted due to the change in our billing methodology.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2021 and 2020 are disclosed below in bands of CI\$5,000.

Post	Remuneration	Remuneration	Benefits 2021	Benefits 2020
	2021 \$000	2020 \$000	\$000	\$000
Auditor General	175-180	175-180	50-55	45-50
Deputy Auditor General (Financial Audit)	120-125	135-140	30-35	20-25
Deputy Auditor General (Performance Audit)	110-115	115-120	30-35	25-30

During 2021, the OAG had three senior managers (2020: three).

Remuneration includes salary, allowances and any additional remuneration paid during the financial year. Allowances paid during the year were honorarium and motor car upkeep allowances. Benefits include pension, and health care insurance.

The remuneration of the Deputy Auditors General is lower than in the previous year because in 2020 both received backdated pay for their new grade, which was finalised in 2020, to the start date in July 2019.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs (\$)
Secondees – Financial Auditors	Grant Thornton	46,800
PricewaterhouseCoopers	IT Audit	90,894
Prepress Projects Ltd	Report Editing	2,915
Etienne Blake, Attorneys-At-Law	Legal fees	500
Campbells	Legal fees	4,313
Savannah Law	Legal fees	16,650
Baker Tilly (Cayman) Ltd.	OAG Financial Statement Auditor	15,965
Netclues	Website Hosting and Maintenance	1,350
Reliable	Janitorial Services	11,869
Security Centre	Security Services	1,410

During the year we seconded two staff members from Grant Thornton Cayman Islands to help us carry out some of our financial audit work.

In 2020, we commissioned PricewaterhouseCoopers to work with us to supplement and develop our IT audit work. The contract spanned two financial years, and the work continued in 2021. During 2021, we spent \$91k (2020: \$59k).

During the year we received legal services from Campbells, Etienne Blake and Savannah Law at a total cost of \$21k. The Attorney General also provided us with legal advice but did not charge for this.

Baker Tilly (Cayman) Ltd. continues to undertake the financial statements audits of the OAG.

TRAVEL AND SUBSISTENCE

The Office undertakes travel to: conduct audit work, enhance competencies and skills of staff, and support the development of public sector auditing across the Caribbean region and internationally. The COVID-19 pandemic and restrictions on overseas travel resulted in no overseas travel during 2021.

The travel we have taken over the past two fiscal periods, much of which is supported by non-Government funding, is outlined in the Table below.

Exhibit 17 Travel and Subsistence 2020 vs 2021

Year-to-year comparison of travel	
Travel and Subsistence 2020 – \$1K	Travel and Subsistence 2021 – \$4k
Cayman Brac - 2020 inventory counts were carried out in early January 2021.	Cayman Brac – inventory counts for 2020 (January 2021) and 2021 (December 2021)
Montserrat - continuous support to OAG Montserrat (UK DFID partially sponsored)	
United Kingdom , Newcastle – secondment to UK National Audit Office as part of the UK Overseas Territories “Better Governance of Public Finances” programme (FCO funded).	
Georgia , Tbilisi – INTOSAI Strategic Planning, Management and Reporting Tool (SPMR) (IDI funded).	

PHYSICAL CAPITAL MEASURES

Measure	2021	2021	Variance
	Actual	Original/Final Budget	
	\$000	\$000	\$000
Value of total assets	1,799	2,380	(581)
Asset replacements: total assets	3%	1%	2%
Book value of assets: initial cost of those assets	48%	42%	6%
Depreciation: cash flow on asset purchases	140%	125%	15%
Changes to asset management policies	None	None	None

The Office’s total assets were less than budget by \$581k, which is attributable to the net impact of cash and cash equivalent being \$1,512k less than budget, and accounts receivable being \$880k more than budget.

HUMAN CAPITAL MEASURES

Measure	2021 Actual	2021 Original/Final Budget	Variance
Total full-time equivalent staff employed at 31 December	22	23	(1)
Staff turnover (%)			
Senior managers			
Professional and technical staff	(9%)		
Administrative and non-professional staff	-		
Average length of service (number of years in current position)			
Senior managers	11		
Professional and technical staff	5		
Administrative and non-professional staff	7		
Changes to personnel management system:		None	

Over the past five years the OAG has restructured its staffing. In 2015–16, the Office created two Audit Manager posts, and in 2017 added two professional audit trainee posts; it did this through decreasing and realigning the professional fees budget. The two manager posts were filled in 2016 and the two professional audit trainee positions were filled during 2018 (they remained in post at 31 December 2021). During 2019, the Office further restructured at the senior management level when the Deputy Auditor General resigned. That post was removed from the staffing establishment and the responsibilities were shared among the then two Directors and the Finance and Administration Manager. As a result of the increased responsibilities, these three posts were evaluated and regraded as two Deputy Auditors General and a Corporate Services Manager from July 2019. During 2021, the Office created a new Audit Manager post to focus on Quality Assurance and IT and filled this post in July 2021.

During 2021, two staff left the Office and one staff was promoted to Audit Manager. We revisited our staffing requirements, and as a result of the increase in the number of entities to be audited from the 2021 financial year, we decided that we needed one additional audit staff. We recruited three new Audit Project Leaders (APL) during the year (2020: no staff left and we recruited 2 new staff). There were no changes in the administrative and non-professional staff category.

As at 31 December 2021 we had one employee on secondment to the Cayman Islands Monetary Authority (CIMA) (2020: one employee on secondment).

SICK LEAVE ANALYSIS

Exhibit 18 Sick Leave Analysis

	2016-17 (18 months)	2018 (12 months)	2019 (12 months)	2020 (12 months)	2021 (12 months)
# of days	215	136	139	75	138
# of FTE*	18.65	20.29	19.58	19.75	21.02
Average sick days/FTE	11.53	6.70	7.09	3.78	6.55
Sickness absence rate **	3.44%	2.98%	3.18%	1.67%	2.98%

* Full-Time-Equivalents – includes staff who have resigned during the year and new starts

** Sickness absence rate = total sick days taken / total number of working days available for period (less entitled annual leave days and public holidays)

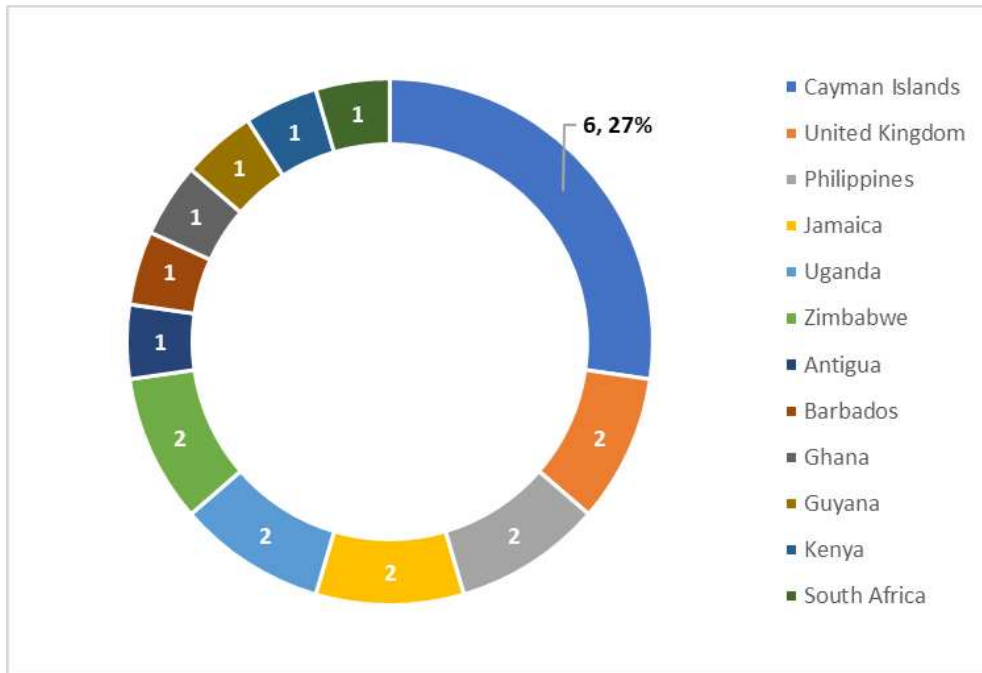
Under the *Personnel Regulations*, employees are allowed up to ten working days paid sick leave a year and can be granted extended sick leave in the event of serious illness or injury to the employee, up to a maximum of 125 working days sick leave on full pay and a further 135 working days on half pay. Based on past experience, the Office's expected range for sick leave during any given year per employee is seven to eight days.

For the year ending 31 December 2021, staff took 138 days off sick resulting in a sickness absence rate of 2.98 per cent. This is consistent over the past five years, but higher than the prior year (2020: 1.67%). With the exception of 2020, some staff have been granted extended sick leave in each year. All employees recorded some sick leave during 2021, 13 employees recorded up to five sick days, and one member of staff had extended sick leave. In 2020 most employees recorded some sick leave; two employees had no sick leave, four employees recorded only one sick day for the year, and no staff had extended sick leave.

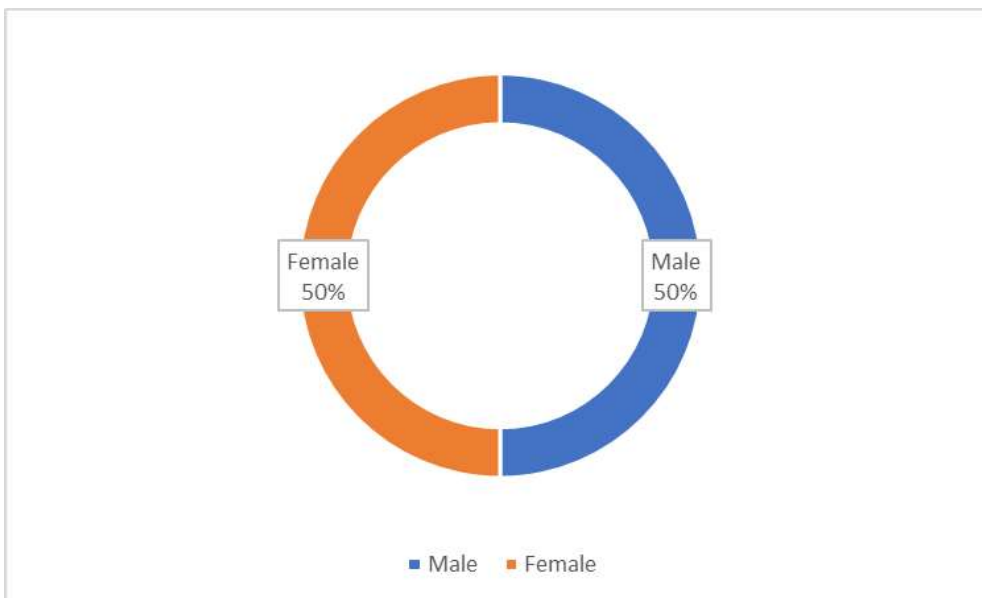
PROFILE OF OAG STAFF

As at 31 December 2021, the OAG had 22 staff with a diverse staffing profile.

Overall, our staff were from 12 different countries, including six (27 per cent) Caymanians (2020: 29 per cent).



The gender balance of OAG staff is equally balanced with had 11 men and 11 women. Within this two senior management were women and one man.



RISK MANAGEMENT

Risk management is a key element of the Office's management framework that meets the requirements set out in the *Public Management and Finance Act* as well as auditing standards. The OAG manages risks to the achievement of both financial and operational objectives. The senior management team ensures that the Office's risk register is kept under review and that there are appropriate management practices in place to mitigate the risks identified.

The Office has identified six risks and has categorized these risks across four broad categories: 1) strategic, 2) operational, 3) financial, and 4) employees. Our approach to managing risks includes considering the controls in place to help mitigate these risks, and the likelihood and impact of their occurrence. The senior management of the Office reviews the risk register, and amends this as necessary, on a quarterly basis. Our risk assessment has identified one risk as moderate and five were assessed as low. The moderate risk is that the Office could be compromised due to breaches to our information technology systems and theft, loss and unauthorized access to data. We actively monitor this risk, and action is being taken to reduce exposure to it. For 2021, all risks were effectively managed and mitigated with no instances of significant events or deviations from our operational plans.

Evidence of how the risks are managed can be found in the Office's [risk management policy and strategy](#).

Financial Accounts



Financial Statements

31 December 2021

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 Act (2020 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 Act (2020 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 maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by the Act, 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 year ended 31 December 2021.

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 31 December 2021;
- b) fairly reflect the financial position as at 31 December 2021 and the performance for the year ended 31 December 2021;
- 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) Ltd. conducts an independent audit and expresses an opinion on these financial statements. Baker Tilly (Cayman) Ltd. has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Sue Winspear, CPFA
Auditor General

DATE: 18 March 2022



Patrick Smith, CPA
Deputy Auditor General

DATE: 18 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE PRESIDING OFFICER OF THE LEGISLATIVE ASSEMBLY OF THE CAYMAN ISLANDS

Opinion

We have audited the financial statements of the Office of the Auditor General (the "Office") which comprise the statement of financial position as at 31 December 2021, and 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, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2021 and its financial performance, and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Office in accordance with *the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Office or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Office's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE PRESIDING OFFICER OF THE LEGISLATIVE ASSEMBLY OF THE CAYMAN ISLANDS
(Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Office's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Office to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion, has been prepared for and only for the Presiding Officer of the Legislative Assembly of the Cayman Islands, as a body, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Baker Tilly (Cayman) Ltd.

**Baker Tilly (Cayman) Ltd.
18 March 2022
Grand Cayman, Cayman Islands**

Office of the Auditor General Cayman Islands
Statement of Financial Position
For the year ending 31 December
(In Cayman Islands Dollars)

2020 Actual \$000		Note	2021 Actual \$000	2021 Original/Final Budget \$000	2021 Variance from Original Budget \$000
	Current assets				
587	Cash and cash equivalents	1	527	2,039	(1,512)
707	Accounts receivable & work in progress	2	1,204	324	880
18	Prepayments		5	-	5
1,312	Total current assets		1,736	2,363	(627)
	Non-current assets				
67	Property, plant and equipment	3	63	16	47
67	Total non-current assets		63	16	47
1,379	Total assets		1,799	2,379	(580)
	Current liabilities				
68	Accounts payable and accruals	4	26	22	4
166	Employee entitlements	5	187	218	(31)
402	Surplus payable	6	895	628	267
143	Unearned revenue	7	3	823	(820)
779	Total current liabilities		1,111	1,691	(580)
779	Total liabilities		1,111	1,691	(580)
600	Net assets		688	688	-
	Net assets/equity				
688	Contributed capital*	8	688	688	-
(88)	Accumulated (deficits)*		-	-	-
600	Total net assets/equity		688	688	-

*See Statement of Changes in Net Assets/Equity on page 52

The accounting policies and notes on pages 54 to 73 form part of these financial statements.

Office of the Auditor General Cayman Islands
Statement of Financial Performance
Year Ended 31 December
(In Cayman Islands Dollars)

2020 Actual			2021 Actual	2021 Original/Final Budget	2021 Variance from Original Budget
\$000		Note	\$000	\$000	\$000
Revenue					
568	Audit services provided to Public Accounts Committee	9	825	950	(125)
1,915	Audit services provided to other government agencies	9	2,533	2,168	365
2,483	Total revenue		3,358	3,118	240
Expenses					
2,231	Personnel costs	10	2,342	2,547	(205)
322	Operating expenses	11	421	520	(99)
18	Depreciation	3	14	17	(3)
2,571	Total expenses		2,777	3,084	(307)
(88)	Net (deficit)/surplus for the year		581	34	547

The accounting policies and notes on pages 54 to 73 form part of these financial statements.

Office of the Auditor General Cayman Islands
Statement of Changes in Net Assets/Equity
Year Ended 31 December
(In Cayman Islands Dollars)

2020 Actual			2021 Contributed Capital (Note 8)	2021 Accumulated Surpluses / (Deficits)	2021 Total Net Assets / Equity	2021 Total Net Assets/Equity Original/Final Budget	2021 Total Net Assets/Equity Variance From Original Budget
\$000	Note	\$000	\$000	\$000	\$000	\$000	\$000
688		688	688	(88)	600	688	(88)
(88)		-	-	581	581	33	548
-	6, 8	-	-	(493)	(493)	(33)	(460)
600		688	-	688	688	688	-

The accounting policies and notes on pages 54 to 73 form part of these financial statements.

Office of the Auditor General Cayman Islands
Cash Flow Statement
Year Ended 31 December
(In Cayman Islands Dollars)

2020 Actual		Note	2021 Actual \$000	2021 Original/Final Budget \$000	2021 Variance from Original Budget \$000
	CASH FLOWS FROM OPERATING ACTIVITIES				
	Receipts:				
549	Audit services provided to Public Accounts Committee		747	950	(203)
1,863	Audit service provided to other government agencies		1,975	2,168	(193)
	Payments:				
(2,250)	Personnel costs		(2,321)	(2,547)	226
(301)	Operating expenses		(451)	(496)	45
(139)	Net cash flows generated from operating activities	14	(50)	75	(125)
	CASH FLOWS FROM INVESTING ACTIVITIES				
(21)	Purchase of non-current assets		(10)	-	(10)
(21)	Net cash flows (used in) investing activities		(10)	-	(10)
	CASH FLOWS FROM FINANCING ACTIVITIES				
(481)	Repayment of surplus	6	-	(65)	65
(481)	Net cash flows (used in) financing activities		-	(65)	65
(641)	Net (decrease)/increase in cash and cash equivalents		(60)	10	(70)
1,228	Cash and cash equivalents at beginning of year		587	2,029	(1,442)
587	Cash and cash equivalents at end of year	1	527	2,039	(1,512)

The accounting policies and notes on pages 54 to 73 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the year ending 31 December

(In Cayman Islands Dollars)

BACKGROUND INFORMATION

The Office of the Auditor General (the “Office” or “OAG”) 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 Act (2020 Revision)* (“PMFA”). Revenue is derived 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 31 December 2021, the Office employed 22 staff (31 December 2020: 21).

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.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2021 have not been early adopted by OAG.

Certain new accounting standards have been published that are not mandatory for the 31 December 2021 reporting period and have not been early adopted by the OAG. The Office assessment of the impact of these new standards are set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and was intended be applied for financial statements covering periods beginning on or after 1 January 2022. However due to the significant impact of COVID-19 pandemic the IPSASB has deferred the effective date by one year to 1 January 2023. IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments to replace those in *IPSAS 29, Financial Instruments: Recognition and Measurement*. It is anticipated that IPSAS 41 will not have a significant impact on the Office’s financial statements. This will be assessed more fully closer to the effective date of adoption.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

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GENERAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

IPSAS 43, Leases was issued in January 2022 and is effective for financial periods beginning 1 January 2025, with earlier application permitted for entities that apply *IPSAS 41, Financial Instruments*. The impact of this status will be assessed closer to the effective date of adoption.

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. However due to the significant impact of COVID-19 pandemic the IPSASB has deferred the effective date by one year to 1 January 2023. *IPSAS 42* defines social benefits and determines when expenses and liabilities for social benefits are recognized and how they are measured. It is anticipated that *IPSAS 42* will not have an impact on the Office's financial statements, but this will be assessed more fully closer to the effective date of adoption.

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 for the 12 months ended 31 December 2021.

BUDGET AMOUNTS

The 2021 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 2020 and 2021 original budgets were presented in the 2020 and 2021 Budget Statements of the Government of the Cayman Islands and approved by the Parliament (formerly Legislative Assembly) on 5 December 2019.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the year ending 31 December

(In Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

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 31 December 2021 and 31 December 2020, 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.

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.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 31 December
(In Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

ASSETS (CONTINUED)

Accounts Receivable (Continued)

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 direct 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 11.11% (9 years)
- Computer Equipment 33.33% (3 years)
- Office Equipment 10% (10 years)
- Leasehold Improvements Over the term of the lease

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 in use.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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(In Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

LIABILITIES

Accounts Payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised 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 2020 and 2021 all eligible employees of the Office belonged to the defined contribution plan.

Unearned Revenue

The Office derives its revenue from the PAC and other government entities for audit services provided. The Office utilised stage billings for the 31 December 2018 financial audit engagements for some clients, which included 50% billing upon commencement of work and the remaining 50% at interim and completion stages of the audit. Billed amounts are recorded as unearned revenue until earned.

Surplus Payable

Pursuant to the *Public Management & Finance Act (2020 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 PMFA every reference to a minister is to be interpreted as a reference to 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 31 December

(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 PAC and other government entities for audit services provided according to the provisions in the PMFA section 68(1). These services are defined in the PMFA, which includes: financial statement audit work; performance audits and investigations undertaken on the initiative of the Auditor General or at the request of the Parliament or any of its committees or subcommittees; and advice and assistance provided to the Parliament or to any of its committees or subcommittees. Audit services revenue is recognised in the accounting period in which it is earned

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

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
For the year ending 31 December
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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. The balances at 31 December were:

2020 Actual \$000		2021 Actual \$000	2021 Original/Final Budget \$000	2021 Actual vs. Original Budget \$000
587	Bank accounts	527	2,039	(1,512)
587	Total cash and cash equivalents	527	2,039	(1,512)

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

Cash and cash equivalents are lower than the budget by \$1,512k, which is a result of the increased accounts receivables at year end compared to budgeted expectations. Other factors are noted in the Cash Flow Statement and note 14 reconciliation of net surplus to cash flows generated from operating activities.

The decrease in cash and cash equivalents of \$60k from the prior year is also a result of the timing of account receivables collections.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 31 December
(In Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE

2020 Actual		2021 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
131	Audit services to PAC (accounts receivable)	209	-	209
576	Audit services to other government entities (accounts receivable)	995	324	671
707	Total gross accounts receivable	1,204	324	880
-	Less: provision for doubtful debts	-	-	-
707	Total net accounts receivable	1,204	324	880

Aging Analysis of Accounts Receivable & Work in Progress

2020 Actual	Accounts receivable & Work in Progress	2021 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
671	Current	-	-	-
8	Past Due 1-30 days	990	310	680
-	Past Due 31-60 days	108	-	108
28	Past Due 61-90 days	20	-	20
-	Past Due 91-180 days	44	8	36
-	Past Due 181-360 days	42	-	42
-	Past Due 361 + Days	-	6	(6)
707	Total	1,204	324	880

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the year ending 31 December
(In Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE (CONTINUED)

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

Accounts receivable for audit services provided to PAC:

The increase in accounts receivable when compared to budget and to prior year is due to an overall increase in the amount of services that were provided to the PAC during the year as additional resources were allocated to conducting performance audits.

Accounts receivable for audit services provided to other government entities:

The increase in accounts receivable when compared to budget is due to actual billings being done on a quarterly basis as opposed to on a stage billing process as was expected when this budget was prepared.

Current actual to prior period actual: accounts receivable increased when compared to prior year due to an overall increase in billable work being done in 2021.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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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 1 January 2020	76	41	45	14	176	169	7
Additions	14	7	-	-	21	5	16
Disposals	-	-	-	-	-	(11)	11
At 31 December 2020	90	48	45	14	197	163	34
<u>Accumulated Depreciation</u>							
At 1 January 2020	32	28	38	14	112	112	-
Accumulated depreciation on disposals	-	-	-	-	-	-	-
Depreciation charge for the year / period	8	6	4	-	18	18	-
At 31 December 2020	40	34	42	14	130	130	-
Net book value at 31 December 2020	50	14	3	-	67	33	34
<u>Cost</u>							
At 1 January 2021	90	48	45	14	197	163	34
Additions	6	2	2	-	10	-	10
Disposals	-	-	-	-	-	-	-
At 31 December 2021	96	50	47	14	207	163	44
<u>Accumulated Depreciation</u>							
At 1 January 2021	40	34	42	14	130	130	-
Accumulated depreciation on disposals	-	-	-	-	-	-	-
Depreciation charge for the year / period	9	3	2	-	14	17	(3)
At 31 December 2021	49	37	44	14	144	147	(3)
Net book value at 31 December 2021	47	13	3	-	63	16	47

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

In 2021 the Office purchased new chairs for some staff members, and installed an additional office work station. The additions were over budget by \$10k as the additional work station was not factored into the budget when it was prepared in 2019.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2020 Actual \$000		2021 Actual \$000	2021 Original/Final Budget \$000	2021 Actual vs. Original Budget \$000
9	Trade creditors	3	-	3
59	Accruals	23	22	1
68	Total	26	22	4

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2020 Actual \$000		2021 Actual \$000	2021 Original/Final Budget \$000	2021 Actual vs. Original Budget \$000
121	Current employee entitlements are represented by:	112	218	(106)
45	Annual leave	75	-	75
166	Total employee entitlements	187	218	(31)

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

Total employee entitlements increased when compared to the prior year as employees worked more overtime hours during the current year in order to reduce backlogged audits, and to aide in completing current audits more timely. The decrease when compared to budget resulted from the OAG not having the expected number of employees for the full year.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
Year Ended 31 December
(In Cayman Islands Dollars)

NOTE 6: SURPLUS PAYABLE

2020 Actual \$000		2021 Actual \$000	2021 Original/Final Budget \$000	2021 Actual vs. Original Budget \$000
402	Surplus payable	895	628	267
402	Total	895	628	267

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

The increase is due to the surplus generated from 2021 of \$581k. The Office will be transferring some of this payable to Treasury during 2022 in line with the Public Management and Finance Act.

NOTE 7: UNEARNED REVENUE

2020 Actual \$000		2021 Actual \$000	2021 Original/Final Budget \$000	2021 Actual vs. Original Budget \$000
143	Unearned revenue	3	823	(820)
143	Total	3	823	(820)

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

As at 31 December 2021 actual unearned revenue was \$140k less than the prior year. This decrease was the net effect of additional deferrals for engagements which were billed using the Office's billing methodology that was implemented in late 2016/17 for several clients to pay audit fees in increments (50% upfront; 40% progress billing and final 10% upon issuance), and revenue previously deferred being earned and recognized as revenue in 2021. The Office has discontinued progress billings for engagements subsequent to the 2018 financial year and it is anticipated that the remaining balance of \$3k will be fully recognised as revenue in 2022. The budget variance of \$820k occurred as the budget was prepared prior to the change in billing methodology.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the year ending 31 December
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NOTE 8: CONTRIBUTED CAPITAL

According to the accounting policies of the Cayman Islands Government, goods and services provided between core government entities do not incur a realisable charge. The Office was unable to estimate the fair value of contributed goods and services received during the year due to the lack of accounting systems to record the costs of these transactions in accordance with the accounting standards.

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

2020 Actual		2021 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections:	404	404	-
	2004/05: \$222k			
	2005/06: \$ 5k			
	2007/08: \$177k			
181	Contributed goods & services (2010/11)	181	181	-
688	Total contributed capital	688	688	-

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

There were no variances in contributed capital from budget as the Office did not request any equity injection during the current fiscal year for purchase of office furniture and equipment as typically office furniture and equipment is funded through our depreciation. Therefore, contributed capital remained consistent with the prior year actual.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 9: REVENUE

2020 Actual		2021 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
	Revenue			
568	Audit services provided to Public Accounts Committee	825	950	(125)
1,915	Audit services provided to other government agencies	2,533	2,168	365
2,483	Total revenue	3,358	3,118	240

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

The revenue generated from services to the PAC increased in 2021 when compared to the prior year primarily due to more staff being allocated to work on performance audit engagements during 2021. This is significantly less than budgeted and lower than the previous three years.

During 2021 the Office increased the level of over time worked by staff in order to complete more financial audits during the year, while also increasing the level of staff direct involvement in performance audits. The increase in total hours worked during the year resulted in revenue exceeding the total budgeted amount.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 10: PERSONNEL COSTS

2020 Actual		2021 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
1,941	Salaries, overtime & allowances (including employee pension contributions)	2,017	2,127	(110)
192	Health insurance	176	273	(97)
98	Employer pension expense	103	111	(8)
-	Other personnel costs	46	36	10
2,231	Total personnel costs	2,342	2,547	(205)

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

Personnel costs was slightly higher in 2021 compared to the prior year primarily due to the Office having one additional employee in 2021. However the actual cost was less than budgeted as the Office did not fill all posts that were budgeted for during the year.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 11: OPERATING EXPENSES

2020 Actual		2021 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
112	Operating leases	113	167	(54)
93	Professional fees	149	140	9
1	Travel & subsistence	4	38	(34)
33	Other goods and services	36	36	-
15	Software licensing fees	23	32	(9)
16	Audit fees	16	18	(2)
10	Training	26	30	(4)
13	Janitorial services	12	13	(1)
12	Utilities	15	15	-
5	Computer and communication supplies	6	6	-
12	Legal fees	21	25	(4)
322	Total operating expenses	421	520	(99)

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

Operating Lease: Lease expenses were under budget by \$54k as the 2021 budget was prepared prior to the new lease being finalized, and the negotiated amount was less than what was budgeted.

Travel & subsistence: Travel expenses were under budget due to the COVID-19 pandemic and the related 'lock down' resulting in official travel for staff being significantly less than projected.

Professional Fees: Professional fee were higher than prior year and budgeted amount as the Office decided to procure the services of a firm to conduct IT assessments for a number of the Office's audit clients. This was not included in the budget which was prepared in 2019

Software Licensing Fees: Software licensing fees were \$9k under budget due to not purchasing new software packages that was anticipated.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 12: 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. The Office entered into a new lease for a further 5 years commencing 1 November 2019.

Type	One year or less \$000	One to five years \$000	Over five years \$000	2021 Total \$000	2020 Total \$000
Non-cancellable accommodation lease	111	315	-	426	538

NOTE 13: CONTINGENT LIABILITIES

At 31 December 2021, there are no quantifiable and non-quantifiable contingent liabilities (31 December 2020: no contingent liabilities).

NOTE 14: RECONCILIATION OF NET SURPLUS TO CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

2020 Actual \$000		2021 Actual \$000	2021 Original/Final Budget \$000	2021 Actual vs. Original Budget \$000
(88)	Net (deficit)/ surplus	581	33	548
	Non-cash movements			
18	Depreciation	14	17	(3)
14	Increase/(decrease)in payables/accruals	(21)		(21)
(162)	Increase/(decrease)in other current liabilities	(140)	-	(140)
91	Decrease/(increase) in receivables	(497)	25	(522)
(12)	Decrease/(increase) in prepayments	13		13
(139)	Net cash flows from operating activities	(50)	75	(125)

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

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NOTE 15: 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 2020 and 2021 Budget Statements of the 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 2021 and 2020 fiscal years as described in Note 8.

KEY MANAGEMENT PERSONNEL

As at 31 December 2021 there were three senior managers in the Office (31 December 2020: 3). Remuneration includes: regular salary, pension contributions, health insurance contributions, acting and duty allowance, and motor car upkeep. Total remuneration for senior management for the year ending 31 December 2021 was \$524k (31 December 2020: \$529k). There were no loans made to key management personnel or their close family members in 2021 (2020: none).

NOTE 16: 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 (2018 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.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the year ending 31 December

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NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

As at 31 December 2021 and 31 December 2020, no provision for doubtful debts has been established as none of these assets are impaired and management considers these debts to be recoverable in full. Notwithstanding the concentration risk in relation to accounts receivable, management does not consider the Office to be exposed to significant credit risk as all of the counterparties are other government entities.

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

LIQUIDITY RISK

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

The ability of the Office to meet its debts and obligations is dependent upon its ability to collect the debts outstanding in a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, paying creditors on their due dates, and if the circumstances required it to obtain funding from Government to temporarily fund any shortfalls the Office would have with its own cash flows. As at 31 December 2021 and 31 December 2020, all of the financial liabilities were due within three months of the year-end dates.

NOTE 17: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 31 December 2021 and 31 December 2020, the carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable and accruals, 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.

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NOTE 18: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were approved. No material events have occurred which necessitate disclosure.

APPENDIX 1 – ENTITIES AUDITED BY THE AUDITOR GENERAL

Under the *Public Management and Finance Act*, the Auditor General is responsible for carrying out the audits of all public sector entities. The Office relies on the work performed by private sector audit firms for a number of its financial statements audits. The following list provides details about who carried out the audits during 2021 for the financial statements audits ending 31 December 2020.

Entity	Auditor 31 Dec 2018 to 2022
Ministries, Portfolios and Offices	
Cabinet Office	OAG
Judicial Administration	KPMG
Ministry of Commerce, Planning and Infrastructure	OAG
Ministry of Community Affairs	OAG
Ministry of District Administration, Tourism and Transport	OAG
Ministry of Education, Youth, Sports, Agriculture and Lands	OAG
Ministry of Employment and Border Control	OAG
Ministry of Finance and Economic Development	OAG
Ministry of Financial Services and Home Affairs	OAG
Ministry of Health, Environment, Culture and Housing	OAG
Ministry of International Trade, Investments, Aviation and Maritime Affairs	OAG
Office of the Director of Public Prosecutions	KPMG
Office of the Ombudsman	KPMG
Office of the Police Commissioner	OAG
Portfolio of the Civil Service	OAG
Portfolio of Legal Affairs	KPMG
Entire Public Sector	OAG

Entity	Auditor 31 Dec 2018 to 2022
Statutory Authorities and Government Companies	
Auditors Oversight Authority	OAG
Cayman Airways Limited	KPMG
Cayman Islands Airport Authority	OAG
Cayman Islands Development Bank	OAG
Cayman Islands Monetary Authority	OAG
Cayman Islands National Insurance Company	KPMG
Cayman Islands National Museum	OAG
Cayman National Cultural Foundation	OAG
Cayman Islands Stock Exchange Ltd.	PwC Cayman
Cayman Turtle Conservation and Education Centre Limited	Grant Thornton Cayman Islands
Children & Youth Services Foundation	KPMG
Civil Aviation Authority	KPMG
Health Services Authority	OAG
Maritime Authority of the Cayman Islands	Grant Thornton Cayman Islands
National Drug Council	KPMG
National Gallery of the Cayman Islands	Eisner Amper Cayman Ltd.
National Housing Development Trust	OAG
National Roads Authority	OAG
Port Authority of the Cayman Islands	OAG
Public Service Pensions Board	OAG
Segregated Insurance Fund	OAG
Sister Islands Affordable Housing Development Corporation*	OAG
Tourism Attractions Board	OAG
University College of the Cayman Islands	Grant Thornton Cayman Islands
Utility Regulation and Competition Office	OAG
Water Authority of the Cayman Islands	KPMG

Note: The Sister Islands Affordable Housing Development Corporation was outsourced in 2018 but brought back in-house for the financial statements audits from 2019 onwards.*

APPENDIX 2 - REPORTS ISSUED AND IN PROGRESS DURING 2021

Reports issued during 2021

Reports Issued	Date of Issue	Summary
Improving Financial Accountability and Transparency: Financial Management and Reporting	May 2021	The report assessed the effectiveness of the Government's financial management and reporting. The report also provided a high-level summary of the Government's financial performance at the entire public sector level and against the principles of responsible financial management set out in the <i>Public Management and Finance Act</i> .
Follow-up on past PAC Recommendations 2021 – Report 1	August 2021	The report provided a summary of PAC reports that had been tabled between 2018 and December 2020 and the status of Government Minutes. The report also provided an updated assessment on two reports that had previously been assessed by the OAG as having limited progress made by Government in implementing the recommendations. These two reports were <i>Government Programmes Supporting Those in Need</i> (May 2015) and <i>Ensuring Quality Healthcare and a Healthy Population</i> (January 2017).
HSA Outpatient Pharmacy Services	November 2021	The report evaluated the efficiency and effectiveness of the HSA's outpatient pharmacy services.
General Report on the results of the 2020 financial audits	December 2021	This compendium report summarised the results of the audits of the 42 public sector entities in the Cayman Islands Government for 2020.

Reports in Progress as at 31 December 2020

Reports in Progress	Summary	Progress
Improving Financial Accountability and Transparency: Financial Management and Reporting	<p>This audit will assess how effective the Cayman Islands Government is at financial management and reporting to enhance transparency, accountability and long-term financial sustainability.</p> <p>The audit will focus on progress during the five-year period from 2014 through 2018.</p>	<p>Reporting Stage.</p> <p>Report was expected to be issued in March 2021.</p>
Follow-Up on past PAC Recommendations	<p>This report will provide an update on progress with the implementation of PAC and OAG recommendations in a range of performance audit reports.</p>	<p>Reporting Stage.</p> <p>Report was expected to be issued in March 2021.</p>
Improving Financial Accountability and Transparency: Long-term Financial Sustainability	<p>This audit will assess how effective the Cayman Islands Government is at planning for long-term financial sustainability. It will also include an update on COVID-19 related expenditure and foregone revenues, and the impact of this on financial sustainability.</p>	<p>Reporting Stage.</p> <p>Report was expected to be issued in summer 2021.</p>
Cayman Islands Government's Online Services	<p>This audit will assess the effectiveness and efficiency of the delivery of online services in the Cayman Islands Government.</p>	<p>Planning Stage.</p> <p>The audit will be completed in first half of 2021. The report is expected to be issued in summer 2021.</p>
Health Services Authority's Out-Patient Pharmacy Services	<p>This audit will evaluate the efficiency and effectiveness of the HSA's out-patient pharmacy services.</p>	<p>Planning Stage.</p> <p>The audit will be completed in first half of 2021. The report was expected to be issued in late summer 2021.</p>

Note: the subsequent call for an early election and dissolution of Parliament resulted in indicative issue dates being changed.

APPENDIX 3 – OUTPUTS DELIVERED 2021

The outputs delivered in 2021 to the PAC as per the Budget Statement for the OAG.

AUD 2	Financial and Performance Audit Reports		
Description Audit reports and advice to the Parliament relating to: <ul style="list-style-type: none"> • General Reports on 1) Management of executive financial transactions; 2) Financial Management of Entire Public Sector (EPS) or of any Ministry, Portfolio, Statutory Authority or Government Company • Performance audit reports on the economy, efficiency and effectiveness of any Ministry, Portfolio, Statutory Authority or Government Company; and • Other matters of public interest as determined by the Auditor General 			
Measures	2021 Actual	2021 Original Budget	2020 Actual
Quantity			
<ul style="list-style-type: none"> • Number of reports issued to the Parliament • Number of audits in progress / partial reports at year end 	3 3	3-5 2-3	5 5
Quality			
<ul style="list-style-type: none"> • Issued reports are reviewed and signed off by Deputy Auditor General and Auditor General • Request client's comments on the draft reports and amend the final report if necessary • Report recommendations are endorsed by the PAC • Report recommendations are accepted by the client 	100% 100% 100% 95%	100% 100% 90-100% 75-100%	100% 100% 100% 100%
Timeliness			
<ul style="list-style-type: none"> • Auditor General reports become public documents within two weeks of submission to the Speaker of the Parliament. • All reports are publicly available through the website within two days after becoming a public document. 	100% 100%	80-100% 100%	100% 100%
Location			
Cayman Islands: Office of the Auditor General, 3 rd Floor Anderson Square, George Town, and Client premises (local & international)	100%	100%	100%
Cost (of producing the Output)	\$825,172	\$950,000	\$568,134
Price (paid by PAC for the output)	\$825,172	\$950,000	\$568,134
Related Broad Outcome: Stable, Effective and Accountable Government			

Contact us

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8:30am - 5:00pm

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Email: auditorgeneral@oag.gov.ky
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Complaints

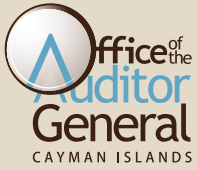
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Katrina Thomas at our address, telephone or fax number or alternatively email: katrina.thomas@oag.gov.ky

Freedom of Information

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

Media enquiries

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



March 2022