

Annual Report - 31 December 2017
Providing Value to the People of the Cayman Islands





To help the public
service spend wisely

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CONTENTS

Foreword by the Auditor General	1	Our People	23
Public sector audit	4	Our Resources	24
Who we are and what we do	5	Financial statement trend analysis and discussion	24
Our strategy	7	Financial performance ratios	29
Our Work	9	Senior management remuneration	29
Financial Audit	9	Professional services and consultants	30
Performance Audit	11	Travel and subsistence	31
Support and assistance to the PAC and the Legislative Assembly	13	Physical capital measures	33
Communication and engagement with stakeholders	14	Human capital measures	33
Regional and international work	15	Profile of OAG staff	35
Other activities	17	Risk management	35
Our Organisation	18	Annual Accounts	37
Leading by example	18	OAG 31 December 2017 Financial Statements	37
Independence of the OAG	19		
Continuous development of our professional practice	19	Appendix 1 – Entities audited by the Auditor General	66
Developing the capacity of the OAG	20	Appendix 2 - Reports issued and in progress during 2016/17	68
Community involvement	21	Appendix 3 – Outputs Delivered 2016/17	71

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 18-month period ending 31 December 2017 in accordance with Section 69 of the *Public Management and Finance Law (2017 Revision)*.

I took up my position in July 2016 and it is a privilege to lead the Office ensuring it continues to deliver value to the people of the Cayman Islands. This report covers my first full period in post and I am pleased with the significant work that has been accomplished by the staff of the Office during this 18-month period.

I have made efforts to meet many people and see, through visits, lots of aspects of the public service in the Cayman Islands. I have seen many examples of progress and improvement and a great general commitment to public service by staff working in the ministries, portfolios, statutory authorities and government companies.

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). Equally important is the role my Office can play in driving improvements in public services and financial management in the Cayman Islands through our audit work. Recent improvements in the timeliness and quality of financial



reporting, procurement and governance arrangements and managing major capital projects, for example, are all largely as a consequence of our audit recommendations. I will continue to advocate for improved integrated financial and non-financial performance reporting to help Government make rational and well-informed decisions to better serve the people of this country.

This annual report completes the accountability cycle that began when the Office published its 2016/17 Annual Budget Statement in June 2016. Both documents help legislators and the public understand how we have assessed our performance. A further objective of this report is to communicate who we are and what we do, and to encourage the reader to understand our role and our desire to deliver value to the people of the Cayman Islands by ensuring public funds are managed in a transparent and accountable way.

This has been another challenging and successful period for the Office. We have maintained the pressure on Government to bring its financial statements up to date to provide stakeholders timely and credible information about the financial position of Government and its entities. We have delivered a number of important performance audit reports which have had an impact on the way that Government carries out its business.

Our strategic plan (2015-2019) includes three objectives for the Office:

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

We need to always improve and focus even more on the impact we have. In 2017, I had the Office undertake a self-assessment of our own performance management framework based on international guidance provided by the International Organisation of Supreme Audit Institutions (INTOSAI) issued to every country's external audit office, known as Supreme Audit Institutions (SAIs). We are currently drafting a report which is based on this self-assessment and the self-assessment will in turn inform our next strategic plan.

The achievement of the three objectives above 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

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.

Our cross government perspective places us in a powerful position to understand the systemic issues that prevent 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 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 Legislative Assembly.



Office of the Auditor General 2017

Lastly, 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 Legislative Assembly and the Government. The reports issued to the Legislative Assembly are the result of their hard work.

In addition, I want to give a special thank you to staff who left the OAG during this period after such dedicated and diligent service; Martin Ruben, Director of Performance Audit who retired in February 2017 after 8 years in the Office leading the Performance Audit Practice and Audit Project Leaders, Kenwyn Walcott who left OAG to join PwC in their London offices, Stanford Lindo who moved onto a position with the Office of the Auditor General of Alberta, Canada and Vincent Rocero who moved into a position with the Office of Auditor General of New Zealand.

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

29 March 2018

ABOUT THE OAG

PUBLIC SECTOR AUDIT

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

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

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

Public sector audit is an important link in the chain of accountability. It strengthens accountability, both upward to the elected

The Cayman Islands Constitution

The Constitution requires that there shall be an Auditor General who shall have *“The power and responsibility to audit the public accounts of the Cayman Islands and the accounts and financial dealings of all authorities, offices and departments of Government and of all courts, and power to undertake value for money investigations in respect of the activities of such authorities, offices and departments”*.

It further states that *“In the exercise of his or her functions, the Auditor General (and any person acting on his or her behalf in the exercise of those functions) shall not be subject to the direction or control of any other person or authority, save that the Auditor General is answerable to the Public Accounts Committee of the Legislative Assembly and must attend upon the Committee at its request.”*

members who provide resources and 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 Legislative Assembly is to hold the Government accountable for its management of public resources. This work is conducted primarily through the PAC.

The Office of the Auditor General contributes to the accountability process as the auditor of the Government including all of its agencies. The Office helps the Assembly hold the Government accountable for how it manages public resources by undertaking financial statement audits for the entire public sector and across 42 public sector entities and performance audits which 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's financial and other reports are reliable, the Government uses effective processes to safeguard the resources with which it is entrusted, and the Government has complied with governing laws, regulations and other relevant authorities.

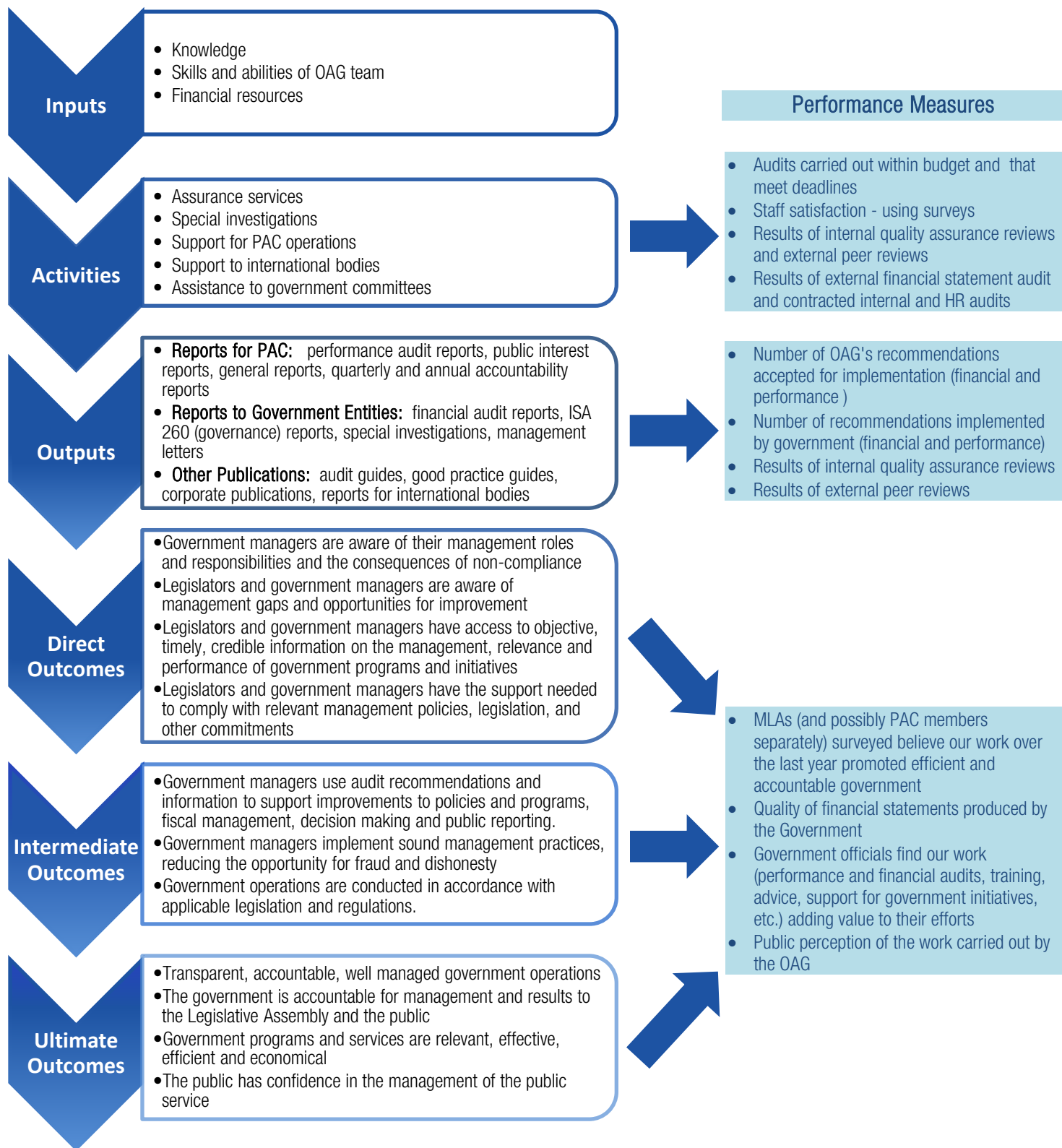
Also, the Office does the following:

- supports the PAC in carrying out its mandate
- makes recommendations for improvements to the Government's management of public resources
- encourages discussion and debate about public sector management and accountability issues
- provides advice to government committees
- encourages professionalism in the public service
- adheres to the professional assurance standards as published by the International Audit and Assurance Standards Boards and the INTOSAI.
- plays an active role in the Caribbean region by being on the Executive Committee of Caribbean Organisation of Supreme Audit Institutions ("CAROSAI").

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

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

Exhibit 1 - OAG Delivery Model



OUR STRATEGY

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

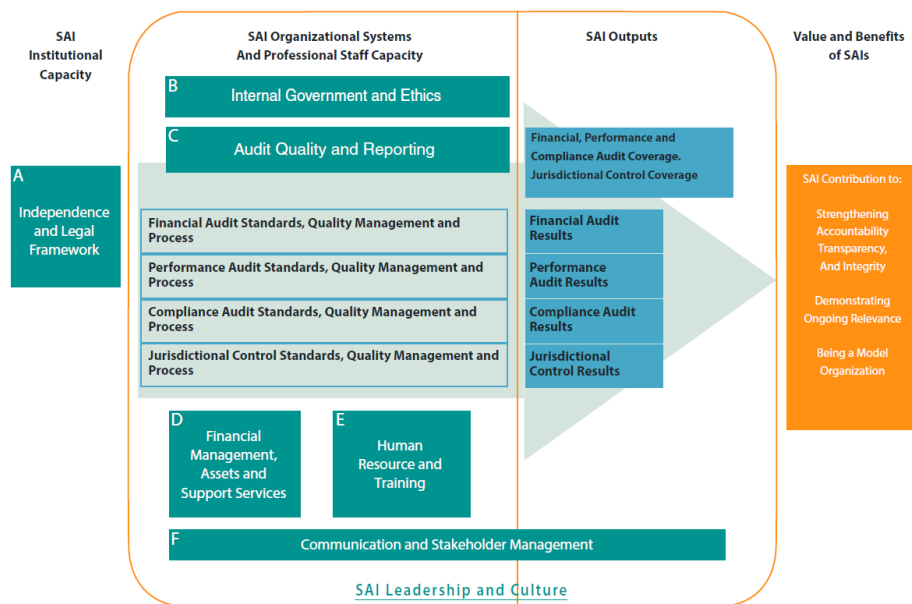
This strategic plan has been incorporated into our 2016/17 Budget submission to the Legislative Assembly, which sets out our strategic ownership goals based on our three over-arching strategic objectives of:

strengthening public services; demonstrating relevance; and leading by example.

We are monitoring our progress and performance against this strategic plan which will provide a basis for stakeholders to understand our performance in future years.

In 2017, the Office undertook a self-assessment of our own performance management framework based on international guidance provided by INTOSAI to supreme audit institutions (see Exhibit 2 below).

Exhibit 2: SAI Performance Measurement Framework(SAI PMF)



Source: SAI Performance Measurement Framework

Assessing our performance plays an important part in our efforts to help us gauge where we stand for our own internal development purposes, and it also enables us to demonstrate our credibility with external stakeholders.

In addition, the performance framework helps us to assess the strength of our Office and to

assess our performance holistically. The framework covers our independence and legal framework, internal governance and ethics, audit work, and relations with external stakeholders. This framework recognizes the fact that an Auditor General's Office is a complex institution and that performance in these different areas are interlinked.

We are currently drafting a report which is based on this self-assessment and which will in turn inform our next strategic plan. We plan to make this report a public document.

Under the current strategic plan the core activities of the OAG will continue to be the financial audit of Government and its agencies and performance audits reporting on the economy, efficiency, and effectiveness of public spending to the Legislative Assembly. Holding Government to account for its spending and for providing value for money in public services will remain a key focus. There are some fundamental drivers that we have started to implement and others to be implemented over the next few years so that we can have a greater impact by providing added value.

For example, we have already started: to working more closely with the PAC so that our work focuses on their highest priorities; and undertaking audit work on major projects and programmes earlier in their lifecycle to better ensure the Government delivers successfully and cost effectively implements their policies.

We look for opportunities to turn our audit knowledge and intelligence into advice and good practice support for the public service.

We will continue to deliver a quality service to the Legislative Assembly and the entities we audit, and we will pursue our objectives as we carry out our programme of work as an independent office.

Exhibit 3 - Strategic Plan 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 watchdog of government spending, our work gives us direct interaction and insight into how the public sector is operating and changing. As well as having direct interaction with every public entity each year, we also have an independent reporting role enshrined in legislation. We provide a credible and reliable source of information to government, legislators and society and can contribute to strengthening the public sector through our audits, by using our powers of reporting, and our interaction within and outside the public sector, on matters such as governance, accountability, financial sustainability and the efficient, effective and economic use of resources.</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 and those who use public services.</p> <p>We place great importance on relationships with all of our stakeholders: Legislative Assembly, public entities, elected and appointed officials, professional organisations, and the general public of the Cayman Islands.</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 agile is important to ensuring we remain relevant and that we can remain a model organisation which leads by example both locally, regionally and internationally.</p>
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OUR WORK

Better quality financial information and increased transparency won't solve all the challenges of governing, but they will greatly assist government decision making and performance.

IFAC, *Accountability. Now.*

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

FINANCIAL AUDIT

Our financial audit work helps the Legislative Assembly hold organisations to account for over \$750 million of annual expenditures and over \$2.4 billion in total assets and \$1.2 billion in total liabilities. Our audits provide independent assurance to the Legislative Assembly on how public money has been spent, how revenue has been generated, whether assets have been safeguarded and liabilities are fully recognised.

The findings and recommendations from our financial audits should help focus attention and stimulate improvement in governance and internal controls, enhance financial

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

In 2016/17, we carried out financial audits of 42 individual entities and on the consolidated financial statements of Government, and we also audited the associated Schedule of Appropriations. During this 18-month period, there has been a significant decrease in the backlog of audited financial statements and annual reports to be tabled in the Legislative Assembly. As at 31 December 2017 there were only 9 financial statement audits outstanding (30 June 2016: 20). The prolonged delays in completing the financial statement audits were typically resulting from the client wanting to address areas of qualification to improve their audit opinion.

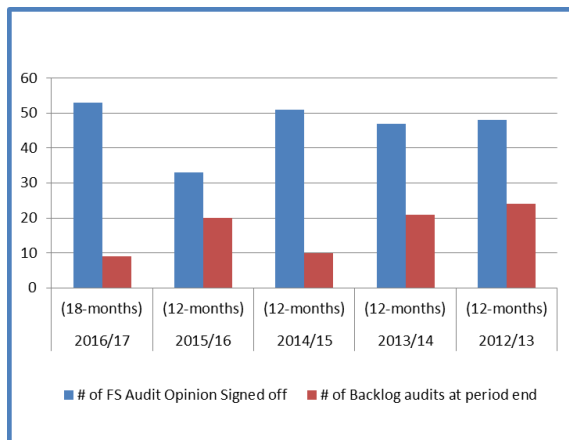
ENTITY FINANCIAL STATEMENTS

During the 18-month period we worked cooperatively with Government to audit the 2015/16 financial statements and clear the

remaining audit backlog. The Deputy Governor and our Office maintained pressure on entities and their senior management, to ensure that there was a concerted effort by entities to complete all outstanding financial statements by 31 December 2017. However, this target was not quite achieved as mentioned above with 9 outstanding financial statement audits.

We issued a total of 53 financial statement audit opinions on individual entities during this 18-month period (2015/16 (12 months): 33). Of these 36 were for the most recent year (2015/16: 29). In Exhibit 4 below we show the trend of the number of financial statement audit opinions we have signed off for each financial period.

Exhibit 4: Number of financial statement audit opinions signed off during the period and number of backlog audits at period end



There is still a way to go to achieve a position where all the financial statements receive unqualified audit opinions and within the statutory timetable.

For more detailed information on entity financial statements and audits please see our latest report on our website:

[Financial Reporting of the Cayman Islands Government: General Report 30 June 2015 & 2016](#)

ENTIRE PUBLIC SECTOR (EPS) FINANCIAL STATEMENTS

With respect to the EPS financial statements of the Government, we continued to work with Government and managed to complete two EPS financial statement audits during this 18-month period for the years ending 30 June 2016 and 30 June 2015. These statements include all the executive expenditures of government which includes transfer payments, executive expenses and loan transactions which are not included in any of the individual entity financial statements. As well, 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).

We issued an adverse audit opinion on the EPS financial statements for the years ending 30 June 2014, 2015 and 2016. Prior to this for the years 2008/09 to 2012/13 we issued disclaimers of opinion on the EPS financial statements.

IMPACT OF OUR WORK

We believe that our work is having an impact as the timeliness and quality of financial reporting is improving. The quality and timeliness of accounts have improved considerably since 2010 when the state of financial reporting was in a crisis. However, significant work is still

required before financial accountability is fully restored and the Government has reliable and timely financial information for accountability and decision making.

We will continue working with the Government to improve the quality and timeliness of financial reporting, so that the goal of having accountability in line with the statutory requirements is achieved.

AUDITING STANDARDS AND ETHICS

We conduct our financial audit work in accordance with International Standards on Auditing (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 under a qualified member. During the year fourteen audits were conducted by local audit firms on behalf of the Office of the Auditor General.

As public auditors we have to ensure our independence and effectiveness through the application of a Code of Conduct prescribed by the International Federation of Accountants and ISSAI 30, and the code of ethics for Supreme Audit Institutions. The Auditor General performs the role of the ethics partner and provides advice on compliance with the standards.

PERFORMANCE AUDIT

A fundamental part of our remit is to conduct audits on whether government carries out its business economically, efficiently, and effectively. Performance auditing is carried out in accordance with the International Standards

on Auditing using guidance from the INTOSAI. Individual performance audits were based on a planned and published programme of work ([Performance Audit Programme - January 2015](#)).

In complying with the standards, the OAG follows a set methodology to ensure that the audits are appropriately planned, executed, and reported. While there are several key elements of the methodology, the clearance of the draft audit reports with senior government officials is an important step that is carried out with every audit. Through this, senior officials including the Deputy Governor confirm the factual accuracy of the information in the report before it is finalized and issued to the Legislative Assembly.

During the 18-month period we issued seven reports:

- Review of Scrap Metal Removal Contract (November 2016);
- Ensuring Quality Health Care and a Healthy Population (January 2017);
- Cayman Islands Health System (January 2017);
- The Health Care System of the Cayman Islands - Survey of Physicians and Dentists (January 2017);
- Governance in Aviation Bodies – Summary of Key Findings (July 2017);
- Follow-up on Past PAC recommendations (July 2017); and
- Major Capital Projects Follow Up (October 2017).

As at 31 December 2017, work was underway on an additional four performance audits. These are:

- Government's use of consultants and temporary staff;
- Workforce planning and management in Government;
- Customs
- Fighting Corruption in the Cayman Islands

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

IMPACT OF OUR PERFORMANCE AUDIT WORK

We believe that our performance audit work is having an impact in government improving its governance structures, financial management and helping the public service become more efficient, effective and achieve better value for money.

Improvements have been seen in many areas, and one example is the introduction in October 2016 of a Procurement bill tabled in the Legislative Assembly. In part, this bill stems from two reports from our Office in 2011 on the *Management of Government's Procurement* and *Case Studies* that were critical of the procurement practices. This Law seeks to address these deficiencies. The Minister for Finance at the time, Marco Archer stated, "*The strengthening of the procurement regime that operates in central Government and in the wider public sector will increase the likelihood of cost savings and other improvements; for these reasons, the Bill is supported by Government and should be welcomed by the country.*"

The Procurement Law was passed by the Legislative Assembly in October 2016 and comes into effect on 1 May 2018. At the heart of the proposed Law was the setting up of the Central Procurement Office in the Ministry of Finance, which is to be staffed by procurement specialists.

In addition, during 2016/17 we began to follow up on prior performance audit recommendations and the impact these recommendations have had on government operations.

We issued our first formal follow up report on past PAC and OAG recommendations in July 2017, which provided the new PAC with a good baseline on how government was responding to these recommendations. We examined eight reports that we had issued from May 2014 to September 2015. We noted that government had made good progress on the recommendations in four reports, but in the four other reports little to no progress was made.

In October 2017 we issued another follow up report on two reports we issued in 2012 and 2015. In the *Major Capital Projects Follow-up* report we noted the recommendations from these reports that related to governance and management of major capital projects had largely been implemented and a new approach is now in place that is having a positive impact on the way projects are managed.

SUPPORT AND ASSISTANCE TO THE PAC AND THE LEGISLATIVE ASSEMBLY

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

During the 18-month period, PAC held 11 administrative meetings with the Office in attendance at all of those meetings. In addition, PAC held public hearings on six of our reports over 18 days which we attended to discuss and gather further evidence on our reports before preparing their own reports to the Legislative Assembly.

During the period 1 July 2016 to 17 February 2017 the PAC, under the Chairmanship of the Hon. Ezzard Miller reviewed 2 financial statement audits and 1 performance audit report issued by the Office:

- Cayman Airways Limited 30 June 2014 financial statements;
- Health Services Authority 30 June 2014 financial statements; and
- Ensuring Quality Health Care and a Healthy Population as well as the Cayman Islands Health Care System report. (January 2017)

PAC also received our report on *Review of Scrap Metal Removal Contract*, which it decided not to hold any witness hearings on.

On the 27 March 2017, PAC tabled its own report in the Legislative Assembly on the witness hearings for these reports prior to the committee being dissolved before the national election in May 2017.

In June 2017 a new PAC was established after the election with just the previous Chairman remaining on the PAC and continuing in the Chair. The rest of the members (Ms. Barbara Connolly, Mssrs Bernie Bush, Chris Saunders & Austin Harris) were appointed for the first time to PAC. Therefore, in the first few administrative meetings with PAC we provided the new members with a briefing about OAG, our work and the complimentary roles we play with the PAC in holding government to account.

The new PAC held two more witness hearings with several sessions until the end of the year on the following reports we issued:

- Follow-up on Past PAC Recommendation – July 2017; and
- Health Services Authority 30 June 2016 financial statements.

PAC also received our report *Governance in Aviation Bodies – Summary of Key Findings – July 2017*, which it decided not to hold witness hearings on.

After the witness hearings on 24 August 2017 PAC tabled its own report in the Legislative Assembly on the *Follow-up on Past PAC recommendations and Governance in Aviation Bodies – Summary of Key Findings*, which require the Government to respond to its recommendations.

COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

It is important that we engage and communicate effectively with our clients about our work and activities, and are proactive in providing professional advice to Government without compromising our independence or duties to the Legislative Assembly. These activities help overcome resistance and remove barriers to improvement.

During 2016/17 the OAG team met and consulted with a large number of stakeholders. We provided information and advice on many issues around areas including financial accounting, procurement, governance and programme management. Specific activities undertaken included:

- The new Auditor General held fortnightly meetings with the Governor and monthly meetings with the Deputy Governor and met with the Chief Officers of the various Ministries and Portfolios individually and as a group and the majority of the CEOs/Managing Directors of the SAGCs.
- The Auditor General was a speaker at Leadership Cayman session on Government in April 2017
- The new Director of Performance Audit also met with many of the Chief Officers and CEOs/Managing Directors to discuss issues and risks to help inform the Performance Audit Programme.
- The Director of Financial Statement Audit and his team also met with the Deputy Governor and other key stakeholders throughout Government to apprise them of

financial statement and compliance issues noted during the financial statement audits.

- The Office also continued to maintain strong working relationships with key partners such as the Anti-Corruption Commission, the Financial Crimes Unit, Internal Audit Services, CIIPA and private sector audit firms.

We also engage with the wider public through social media, such as our through our website (www.auditorgeneral.gov.ky/) and Facebook page (www.facebook.com/Office-of-the-Auditor-General)

REGIONAL AND INTERNATIONAL WORK

The OAG is a member of Caribbean Organisation of Supreme Audit Institutions (CAROSAI) which works to support and enhance the role of public audit offices throughout the region. 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; implementation of ISSAI’s 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 OAG is a proactive member, with the Auditor General sitting on the Executive Council and the Deputy Auditor General chairing the Communications sub-committee and the Director of Financial Audit chairing the Institutional Strengthening sub-committee.

We also undertook the following activities on behalf of CAROSAI or within the region.

The Office in its current strategic plan cited a goal of supporting the development of public audit across the Caribbean region. This objective arose out of the Office being seen, by International donor agencies, as a leader in public sector auditing and our desire to assist in the capacity development of regional public audit offices.

Therefore during the 18-month period we have taken on an active role in a moving towards fulfilling this objective with two of our staff members (Patrick Smith and Winston Sobers) visiting the Audit Office of St. Vincent & The

Grenadines (Audit Office S.V.G.) in April 2017



and again in August 2017 to commence a twinning arrangement with the key objective of strengthening the capacity of the audit practice there.

The twinning arrangement, which is fully funded by the World Bank, consisted of two visits by staff from our office and had the following key areas of focus:

- provide training in conducting financial audits of statutory bodies and capital projects;
- developing a strategic business plan; and
- assisting in the preparation of a learning development policy/plan for strengthening the capacity of the financial auditors.



In October 2016, the Auditor General represented CAROSAI at the annual INTOSAI Capacity Building Committee’s annual meeting where she made a presentation on *“Experience of a Cooperative Audit on Revenue Management”*.

The meeting had two main themes, which were:
 1: “Maximising SAI cooperation in support of capacity development”; and 2: “Maximising the benefits of the SAI PMF in support of SAI capacity development”.



Capacity Building Committee Participants

In September 2017 the Auditor General attended the next annual meeting of INTOSAI’s Capacity Building Committee and also the INTOSAI Task Force on International Auditor Professionalization in Washington, USA. The theme around this conference was: “INTOSAI strategy for capacity development” and “supporting SAIs in fragile situations”.

OTHER INTERNATIONAL WORK

In July 2016 the Director of Financial Audit was invited to present at the Institute



of Chartered Accountants of Trinidad and Tobago Public Financial Reporting Reform Seminar on “Public Financial Reporting Reform – Cayman Islands Experience”. This was sponsored by World Bank.

In addition, the Office was involved in other international activities, such as:

The Deputy Auditor General was one of a small number of people selected from SAIs around the world to spend time in Hungary in November 2016 to help in developing the INTOSAI anti-corruption guidance and a web based performance audit e-learning course on SAIs fighting corruption. Our Office is one of the countries applying this new performance audit tool kit during 2017 and 2018. The first portion of the e-learning course was delivered in May and June 2017 with 20 countries participating in the programme and the Deputy Auditor General being one of several mentors during this training. Two of our staff members, Gay Frye and Zenobia Badley undertook the e-learning programme with a view to conducting a performance audit of Cayman Islands institutional framework for fighting corruption. In October 2017 several of the countries



Hungary October 2017 – Mentors and participants in workshop on SAIs fighting corruption

attended a workshop in Hungary to review the performance audit plans of each country and provide feedback on these plans. The examination and reporting phase of this audit will be done in 2018.

The Auditor General attended the 23rd Commonwealth Auditor General’s Conference in Delhi, India in March 2017, which had two themes of leveraging technology in public audit and environmental audit. The Auditor General spoke at the conference on “*Leveraging Technology in the Public Audit*”.



The Commonwealth Auditors General have met once every three years since the 1950s to share best practice in public audit by countries of the Commonwealth who mainly use the “Westminster” style of Government. The conference was attended by 74 participants from 36 countries and focused on fostering partnerships for capacity development in public audit.

Also, in March 2017, The Auditor General attended the Foreign Commonwealth Office funded UK Overseas Territories Governance Conference in Miami, USA along with the Public Accounts Chairman and the Director of Internal Audit Services which launched the programme of support offered by the UK government between 2017-2019 to strengthen governance in its overseas territories.

OTHER ACTIVITIES

The Auditor General is also a Director of the Auditors Oversight Authority. The Authority is charged with the regulation of auditors of market traded entities.

The Deputy Auditor General is chair of the Relief Aid Management Emergency Support Team. This Emergency Support Team is responsible for Management of all relief supplies in case of a disaster. It will receive, inventory and distribute supplies in accordance with directives from the Allocation Committee, and is responsible for maintaining adequate records for accounting of all supplies.

OUR ORGANISATION

LEADING BY EXAMPLE

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

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

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

transparency.

In 2016/17, 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 our internal controls enabled us to comply with relevant legislative requirements
- reviewing, maintaining and developing our internal policies
- proactively disclosing key information about the OAG
- maintaining and developing our website and Facebook pages.

The Office continued its support of the Deputy Governor's Wellness Committee with staff member Winston Sobers being involved in organising various activities throughout the year. One of the largest activities undertaken was the pedometer challenge "Every Step Counts" held from 16 January to 6 February 2017, which evolved from 5 government agencies and 58 participants in the past year to over 35 teams made up from various ministries, portfolios, departments and Offices and over 500 participants. This initiative developed from the Office's previous workplace walk off challenge promoting exercise and healthy lifestyle as part of overall wellness.

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 with constraints being placed on financial and human resources. However we have continued to move forward the agenda of strengthening the independence of the OAG, and during 2016/17 we made further progress. In particular, we carried out the SAI Performance Management Framework assessment in 2017, which considered the independence and legal framework of the Office. As at the 31 December 2017 we were in the midst of drafting a report on our self-assessment, which will be independently reviewed by IDI.

In addition, in prior years we have 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 include:

- OAG to be established as an entity separate from Government;
- independence for all financial and administrative policy matters;
- fixed tenure of office for future Auditor Generals; and
- establishing an Office of the Auditor General law.

During the past 18-month period we also drafted the OAG succession plan to ensure we are able to continue meeting our mandate. In the coming year we will consider our workforce and resourcing model to ensure the Office can meet the challenges arising in our changing environment.

CONTINUOUS DEVELOPMENT OF OUR PROFESSIONAL PRACTICE

We are required to carry out our work in compliance with International Standards on Auditing (ISAs) and we are now in the process of adopting International Standards of Supreme Audit Institutions (ISSAIs) which expand on the ISAs for application in the audit of government entities. We 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 focusing on the development of our audit manuals and documentation software, building in the requirements of ISSAIs.

We continued to implement our learning and development plan to ensure we meet our employees' professional development

obligations while providing them with the required skills and tools.

Unfortunately, the full implementation of our quality assurance framework has been delayed due to resourcing constraints. With the restructuring of our Office in 2015/16 and with the new Auditor General on board, we will continue to work towards addressing this issue, as its full implementation is required to meet our obligations under professional standards.

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

DEVELOPING THE CAPACITY OF THE OAG

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

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

With respect to developing the capacity of our staff, a number of activities were undertaken during the year which should support the delivery of our mandate. These included:

- the majority of our staff attended the Government Professional Development

Week in November 2016, which provided sessions on: performance measurement and reporting; leadership; protecting against fraud; building better business cases; and IRFS and IPSAS updates. The Auditor General was a luncheon speaker for one of the days of the conference. The OAG was again the key driver in the organisation of this event which was attended by over 200 people.

- In November 2017 the majority of our staff attended the CIIPA Summit, which is a reformatting of Government Professional Development week. Staff took in workshops on: business leadership, protecting your company from computer crime, the value and price of being ethical, and IPSAS update.
- In January 2017, the Office held an Office retreat to: examine our financial and performance audit practices; review our vision and mission; overview of Government’s budget design and process; and team building exercises.



**January 2017 Staff Retreat
Review of our vision and mission**



Throughout the 18-month period staff also upgraded their competencies and skills by taking the following:

- Edgar Bennett, Adrian Murenzi and Sasha Rochester completed their diplomas in International Public Sector Accounting Standards
- Zenobia Badley became a Certified Fraud Examiner
- Sasha Rochester completed the International certificate in Financial Reporting
- Stanford Lindo and Sandra Malcolm completed their Masters of Business Administration (MBA) degree
- Angela Cullen and Patrick Smith attended an IDI workshop on Quality Assurance with an expectation to become accredited quality assurance reviewers.
- Kwame Afrane and Tricica Boyce attended the National Audit Office UK overseas territories financial audit training.
- Edgar Bennett attended an INTOSAI e-learning platform training workshop.
- Kim Lutz, our Administrative and Finance Manager joined other CIG HR professionals

at the Society for Human Resource Management conference in New Orleans; and

- Sasha Rochester graduated from Leadership Cayman in June 2017.



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

COMMUNITY INVOLVEMENT

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

During 2016/17 OAG staff were again involved with speaking at Leadership Cayman and registering swimmers for the Flowers Sea Swim.

Members of the OAG participated in the Cayman Islands Institute of Professional Accountants (CIIPA) training committee and public sector committee.

Members of the OAG guest lectured at various professional conferences and in the accounting and auditing programme at UCCI and ICCI.

The Auditor General and Director of Performance Audit volunteered as cashiers in October 2017 for the Breast Cancer Foundation live and silent auctions.

In addition, the Auditor General provided mentorship training through the Chamber of Commerce's mentorship programme.



From this mentorship programme we were able to have Hayley Samuels join us for four



weeks over the summer 2017 and two weeks in December 2017 as an intern.

In June 2017 we also had another student intern in our Office to receive work experience.

In April 2017, eight staff members participated in the DG 5K Challenge, which helped to support YMCA of the Cayman Islands.



OUR PEOPLE

The Senior Management Team



Garnet Harrison, CPA, CA, Deputy Auditor General

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



Patrick Smith, CPA, CFE, Director of Financial Audit

Responsible for managing our in-house financial audit practice



Angela Cullen, CIPFA, Director of Performance Audit

Responsible for managing our performance audit practice and communications

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

The senior management team was supported during the year by a team of 2 audit managers, 11 auditors and 2 administrative staff. Our auditors are all fully qualified members of professional accountancy bodies, with the exception of one who is part qualified.

Staff performance is managed through our performance management process. This process sets objectives, assesses performance and helps identify areas for development or training needs for professional development. All staff are provided with suitable training opportunities to ensure continual professional development, including CIIPA annual Summit, which includes an IPSAS update session.

The ethics and independence of OAG staff is critical to the Office's success. All members of staff are required annually to confirm compliance with the Code of Conduct and report any potential conflicts of interest. The conflict of interests register is available for public inspection and senior management declarations are posted on the OAG website (<http://www.auditorgeneral.gov.ky/registerofinterests>).

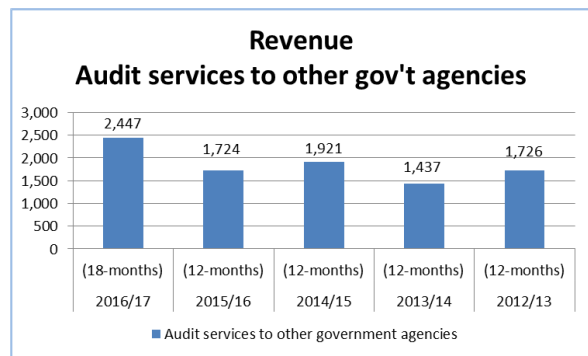
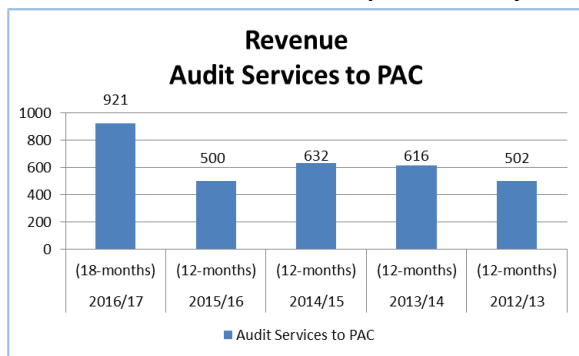
OUR RESOURCES

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

Expressed in Cayman Islands Dollars and Thousands



Audit services to PAC: has fluctuated over the past 5 years and in 2015/16 we were on the low end of the range due to staff vacancies within the Office and report clearance complexities. Revenue from audit services to PAC is directly correlated to the number of reports and the complexity of those reports we have issued to the Legislative Assembly in each fiscal year.

For the 18-month period of 2016/17 we issued 8 reports and had 4 in audits progress; whereas, in 2015/16 (12-month period) we issued 6 reports, and had 3 audit in progress. See Appendix 2 & 3 for further details.

Audit services to other government agencies: the Office's revenues for 2016/17 increased from the prior periods due to it being a longer reporting period. However, this increase for the 18-month period was slightly lower than expected, due to there being only one financial statement audit cycle in that time period. Therefore, we were not able to generate as much revenue from the financial statement audit work.

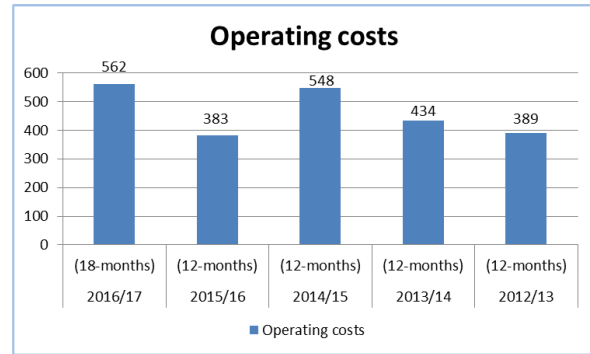
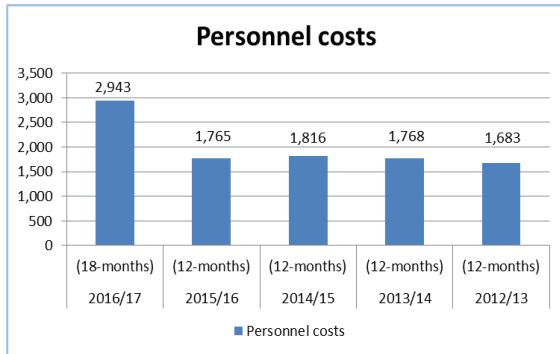
During this 18-month period we did more interim work on the 31 December 2017 financial statements than had ever been done previously.

Over the past 5 years we have issued the following number of financial statements audit

opinions: 2016/17 – 55; 2015/16 – 34; 2014/15 – 54; 2013/14 – 48; 2012/13 – 49.

EXPENSE ANALYSIS

Expressed in Cayman Islands Dollars and Thousands



Personnel costs: have remained relatively flat over the 4-year period (i.e. 4% increase from 2012/13 to 2015/16). There have been some increases in salaries from cost of living allowances provided and honorariums over these years.

Personnel costs were \$1.2 million higher than the prior year due to it being an 18-month period and therefore are not directly comparable. In December 2016 adjustments were made to employees’ salaries for those whose pay was stagnated for several years due to the austerity measures adopted by the Cayman Islands Government. Also, for the first time in several years pay increments were awarded for staff who had obtained new qualifications.

Operating costs: were \$179k higher than the prior year due to it being an 18-month period and therefore are not directly comparable.

Operating costs have fluctuated over the 5-year period mainly due to the use of consultants for performance audits. Professional fees decreased from \$300k in 2014/15 to \$167k in 2015/16 and were \$231k for the 18-month period 2016/17. This overall decrease resulted from the restructuring plan to shift our focus away from having a significant reliance on using consultants to carry out our performance audit and IT work and developing this expertise in-house.

Revenue and expenses discussed above do not include the work undertaken on behalf of the Office by the private sector audit firms. If these audits were accounted for through the Office’s financial statements, revenue and expenditure would both increase by approximately \$700k.

The Office is trying to address this issue by having these expenses attributed to our Office’s operations instead of being charged directly to the entities. This would provide full accountability for the cost of public sector

audit. However, this was not done in the recent budget process.

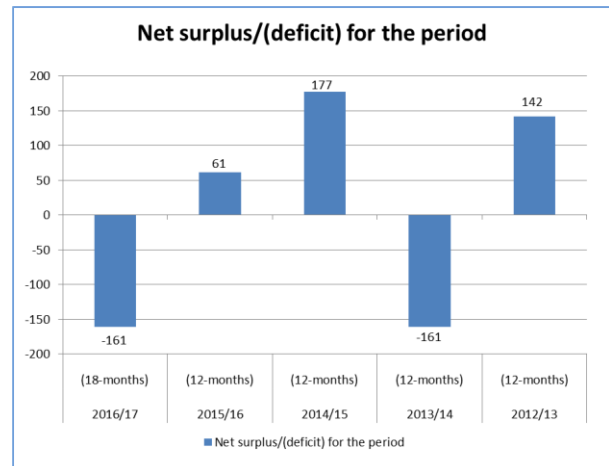
Most other operating expenses have remained relatively consistent over this time period.

SURPLUS / (DEFICIT) ANALYSIS

The Office has been able to generate reasonable surpluses over the past 5 years generating a cumulative surplus of \$58k over the past 5 years. There have been 2 periods with losses. In 2016/17 we were not able to generate sufficient revenues from audit services provided to other government entities due to there being only one audit cycle to bill for in the 18-month period. This resulted in a deficit of \$161k. In 2013/14 the Office also incurred a deficit of \$161k, due to a significant decrease in revenue that fiscal year. This was due to delays in completing the entire public sector audits and a few other entities and therefore during that year the Office committed more time towards updating its audit practices and methodology which was non-billable and resulted in less revenue earned. Our goal is to break even on a year to year basis.

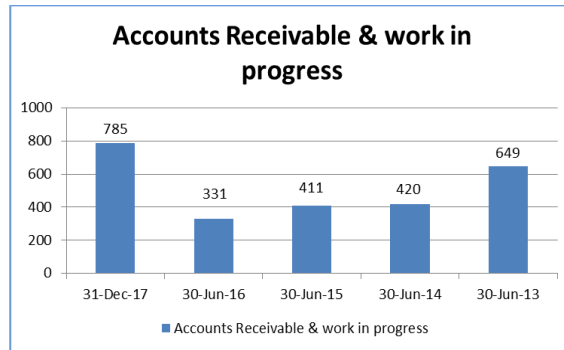
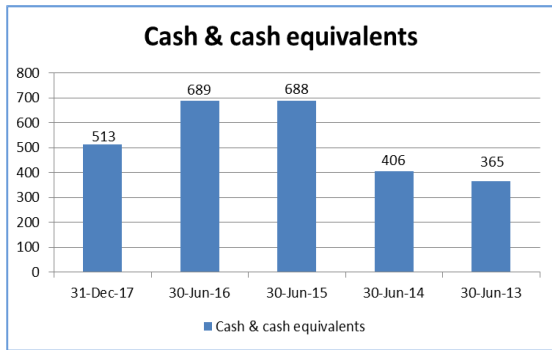
More detailed financial information is contained in our financial statements (see pages 37-65).

Expressed in Cayman Islands Dollars and Thousands



STATEMENT OF FINANCIAL POSITION TREND ANALYSIS ON SELECT ITEMS

Expressed in Cayman Islands Dollars and Thousands



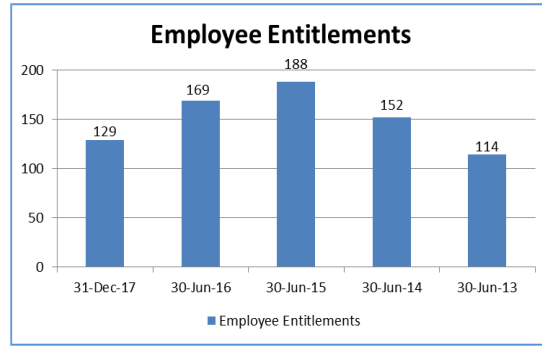
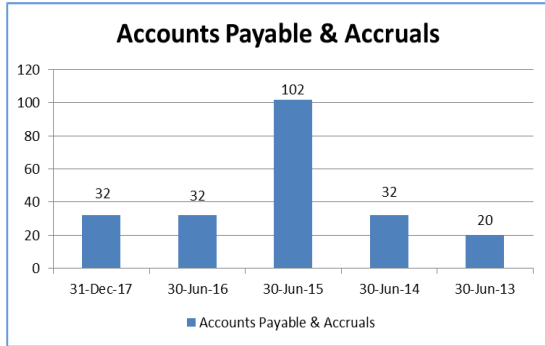
Cash and cash equivalents analysis: For the years 2012/13 to 2016/17 we have maintained a healthy cash position. We have attempted to maintain a cash position of 2 to 3 times our monthly expenses. The decrease in cash and cash equivalents of \$176k from the prior year is a result of repayment of surplus payable of \$177k during the 18-month period. For further analysis in the changes of cash and cash equivalents for the 18-month period ending 31 December 2017, see the Cash Flow Statement and note 13 to the financial statements for the reconciliation of net deficit to cash flows generated from operating activities.

Accounts receivable and work in progress analysis: As at 31 December 2017 there was a significant increase due to a change in our billing methodology in late 2016/17 for many clients to pay audit fees in increments (50% upfront; 40% progress billing and final 10% upon issuance) for the 2016/17 financial statement audits.

In 2012/13, the accounts receivable were higher than normal as a result of the election in May 2013. Many government entities were reorganised post-election and their bills were not paid quickly.

We typically manage our outstanding receivables to ensure there is only approximately 2 months outstanding. Even though, the amount owed to the Office from 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.

Expressed in Cayman Islands Dollars and Thousands



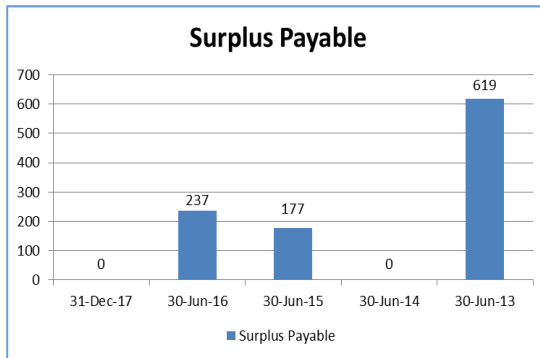
Accounts payable and accruals: Accounts payables and accruals are expected to vary from \$20k to \$40k in any given year. However, 2014/15, accounts payable were significantly higher than the normal range due to consultants doing more work in June of that fiscal year.

Employee entitlements analysis: During 2015/16 and 2016/17, the Office made a concerted effort to reduce its employee entitlement liability, which has resulted in it being lowered by \$59k over its peak value at 30 June 2015.

Surplus payable analysis:

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.

In accordance with section 67 and 39 3(f) of the PMFL, the PAC agreed that the Office should offset the current year deficit against the prior year surplus, which resulted in no surplus payable being due at 31 December 2017. In addition, during the 18-month period we did repay the \$177k surplus from the 30 June 2015. Similarly, for the year ending 30 June 2014, the deficit of \$161k was offset against the surplus of \$142k for the year ending 30 June 2013, therefore, resulting in no surplus payable as at 30 June 2014.



FINANCIAL PERFORMANCE RATIOS

Ratio	2016/17	2016/17	Variance
	Actual	Original / Final Budget	
	%	%	%
Current Assets: Current Liabilities (Working Capital)	162	221	(59)
Total Assets: Total Liabilities	170	240	(70)

These ratios indicate that we were able to meet our current obligations as at 31 December 2017. Current assets: current liabilities and total assets: total liabilities ratio at 31 December 2017 was not as high as anticipated due to the change in billings process for staged billings, which significantly increased the liabilities of the Office for deferred revenue thereby impacting these ratios.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2016/17 and 2015/16 are disclosed below in bands of CI\$5,000.

Post	Remuneration	Remuneration	Benefits	Benefits
	2016/17 (18-months) \$000	2015/16 (12-months) \$000	2016/17 (18-months) \$000	2015/16 (12-months) \$000
Auditor General	225-230	-	55-60	-
Auditor General (resigned Oct 2015)	-	65 to 70	-	10 to 15
Deputy Auditor General	200-205	125 to 130	45-50	25 to 30
Director Performance Audit	90-95	-	15-20	-
Director Performance Audit (resigned February 2017)	95-100	125 to 130	10-15	5 to 10
Director Financial Audit	160-165	100 to 105	25-30	15 to 20

Remuneration includes salary, allowances, and any additional remuneration paid during the financial year (2015/16: salary, allowances, any additional remuneration). Allowances paid during the year were acting, duty and motor car upkeep allowances. Benefits include pension, and health care insurance. The former Auditor General departed the Island on 30 September 2015, with an effective resignation date of 31 October 2015, with any remaining leave balances paid out at that time. The Deputy Auditor General therefore became the Acting Auditor General for the period 1 October 2015 to 7 July 2016 and received acting pay during this time. The new Auditor General began her post on the 1 July 2016. In addition, the former Director of Performance Audit resigned effectively 8 February 2017 and any remaining leave balances were paid out at that time. The former Director of Performance Audit also had reached retirement age and no longer received any pension payments as benefits, but the remuneration of his salary was increased to compensate for this decrease in benefit. In December 2016 adjustments were made to employees' salaries for those

whose pay was stagnated for several years due to the austerity measures adopted by the Cayman Islands Government, which increased the salaries of the following senior management: Deputy Auditor General, former Director Performance Audit and the Director Financial Audit. In addition, for the first time pay increments were also awarded for staff who had obtained new qualifications, which increased the salary for the Director Financial Audit.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs(\$)
BDO	Workforce planning and management Performance Audit	118,334
Consultant Performance Auditor Healthy Futures	Major Capital Projects – Follow Up Audit Healthcare Performance Audit	39,594 32,258
Consultant Performance Auditor Ropers Enterprises	Healthcare Performance Audit Janitorial services	18,059 15,920
Baker Tilly (Cayman) Ltd. Consultant Performance Auditor	OAG Financial Statement Auditor Governance Audit – 3 SAGCs	14,790 6,032
Campbells	Legal Advice	5,699
Netclues	Website hosting and maintenance	4,000
Editor	Report Editing	3,635
CML	Staff survey	1,500

During the year we contracted with Healthy Futures, BDO and several individual consultants to help us conduct our performance audits. The cost of the performance auditors includes payments made directly to the performance auditors and their associated costs (i.e. work permit fees, airfare, hotel, car rental, etc.). Campbells provided us with legal advice for our performance audit work.

We continue to engage consultants to carry out performance audit work as that was the resourcing model inherited. However, we are actively reducing our reliance on consultants to conduct performance audits on our behalf and have begun to build capacity in-house for performance auditing but this will take time to achieve.

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

TRAVEL & SUBSISTENCE

The Office undertakes travel to: conduct audit work, enhance competencies and skills of staff, and to support the development of public sector auditing across the Caribbean region and internationally. The Office is recognised as one of the leaders in public sector auditing, within the Caribbean region. As a result there is an increasing demand for the Office to support capacity building initiatives across the region and contribute more widely to the development of public sector auditing in international public auditing forums. Over half of the staff members have participated in this travel. The travel we have taken over the past two fiscal periods, much of which is supported by non-Government funding, is outlined in Exhibit 5 below.

Exhibit 5 – Year to year comparison of travel	
Travel & Subsistence 2016-17 (18-months)- \$43K	Travel & Subsistence 2015-16 (12-months)- \$20K
	Bahamas – Institute of Internal Auditors and public financial reporting speaking engagements
Brazil , Brasilia – INTOSAI Professional Standards Committee members meeting	
Canada - Canadian Council of Legislative Auditor’s (CCOLA) conferences and meetings in: Yellowknife, Fredericton (annual conference with public accounts forum) Ottawa (financial statement symposium); Toronto (performance audit symposium); and Montreal (IT committee meeting)	Canada – Canadian Council of Legislative Auditor’s (CCOLA) conferences in Winnipeg, (general conference with public accounts forum) and in Montreal and Toronto (financial statement & performance audit symposium respectively)
Cayman Brac – meeting with District Administration and the District Commissioner; financial statement and performance audit work	Cayman Brac – financial statement audit work
Georgia , Tbilisi – INTOSAI – IDI quality assurance workshop (sponsored by IDI)	
Guyana – CAROSAI regional workshop on parliamentary oversight (World Bank sponsored) Institute of Chartered Accountants of the Caribbean (ICAC) annual conference (ICAC sponsored)	
Hungary , Budapest – INTOSAI – IDI performance audit workshop on preventing corruption (partly sponsored by INTOSAI - IDI)	

Exhibit 5 – Year to year comparison of travel	
Travel & Subsistence 2016-17 (18-months)- \$43K	Travel & Subsistence 2015-16 (12-months)- \$20K
India , New Dehli – Commonwealth Auditor General’s Conference (tri-annual)	
Jamaica , Kingston – INTOSAI LMS training for e-learning programme	Jamaica – financial statement audit work for Ministry of Home Affairs
Panama , Panama City – Supreme Audit Institutions Performance Measurement Framework workshop	
South Africa , Cape Town – INTOSAI Capacity Building Committee annual meeting	
St. Vincent – CAROSAI twinning arrangement to strengthen the capacity of the Audit Office of St. Vincent (World Bank sponsored)	
	Suriname – Triennial CAROSAI Congress
	Sweden - INTOSAI Capacity Building Committee annual meeting
Trinidad – ICAC conference on Public financial reporting reforms (ICAC sponsored)	
United Kingdom , London – UK overseas territories project of multi-lateral audit training on the UK overseas territories financial audit manual (partially sponsored)	
United States , Miami – Overseas territories governance conference (FCO sponsored)	
New Orleans – Society for Human Resource Management Annual Conference & Exposition	
Washington - INTOSAI Capacity Building Committee annual meeting & Task Force on International Auditor Professionalisation (TFIAP)	

PHYSICAL CAPITAL MEASURES

Measure	2016/17	2016/17	
	Actual	Original/Final	Variance
	\$000	Budget	\$000
Value of total assets	1,378	1,245	133
Asset replacements: total assets	1%	2%	(1%)
Book value of assets: initial cost of those assets	46%	65%	(19%)
Depreciation: cash flow on asset purchases	266%	144%	122%
Changes to asset management policies	None	None	-

The Office's total assets were over budget by \$133k as a result of accounts receivable being higher than budget due to a change in our billings process with staged billings and quarterly billings being implemented during the year. The increase in accounts receivable from budget of \$368k at the period end was offset by a decrease in cash and cash equivalents from budget of \$220k and fixed assets of \$23k.

The book value of assets to initial cost of those assets was 19% less than anticipated due to a large printer not being purchased during the 18-month period. This also impacted depreciation to cash flow on asset purchases, which was over budget by 122% since cash flows on asset purchased was significantly less than budgeted.

HUMAN CAPITAL MEASURES

Measure	2016/17	2016/17	
	Actual	Original / Final Budget	Variance
Total full time equivalent staff employed at 31 December	19	21	(2)
Staff turnover (%)			
Senior Managers	25%	25%	-
Professional and technical staff	25%	25%	-
Administrative and non-professional staff	0%	0%	-
Average length of service (number of years in current position)			
Senior Managers	9	8	1
Professional and technical staff	5	6	(1)
Administrative and non-professional staff	10	5	5
Changes to personnel management system:		None	

There were no changes to the personnel management system in 2016/17, but in 2015/16, the Office began to restructure and realign its budget by decreasing its professional fees budget and creating two audit manager positions and two professional audit trainee positions. As at the 31 December 2017, the two professional audit trainee positions were not filled. In February 2017 the Director of Performance Audit resigned, which caused the 25% turnover in senior managers, which was in line with the budget. At the professional and technical staff position (Audit Managers and Audit Project Leaders), we had 3 employees resign during the 18-month period, which was also in line with the budget. There were no resignations under the administrative and non-professional staff category, which was in line with our expectations.

SICK LEAVE ANALYSIS

	2016/17 (18 months)	2015/16 (12 months)	2014/15 (12 months)	2013/14 (12 months)	2012/13 (12 months)
# of days	215	117	188	129	138
# of FTE*	18.65	17.11	18.43	16.83	18
Average sick days/FTE	11.53	6.84	10.20	7.66	7.67
Sickness absence rate **	3.44%	3.06%	4.54%	3.46%	3.46%

* 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 10 working days paid sick leave per 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. The Office’s expected range for sick leave during any given year per employee is 7-8 days based on past experience.

For the 18-month period ending 31 December 2017, we expected the average number of days per FTE to go up with there being an extra 6 months in the period. During this period 2 employees were granted extended sick leave ranging from 9 to 38 days. One employee did not record any sick leave during this 18-month period and 2 others who were hired part way through the period also did not record any sick leave, which helped to reduce the average sick days per FTE. The sickness absence rate is consistent with the prior years.

PROFILE OF OAG STAFF

The OAG has a diverse staffing profile with ten nationalities represented as at 31 December 2017.

Nationality	Senior Management	Auditors	Administrative
Caymanian	-	1	2
Barbadian	1	2	-
British	2	-	-
Canadian	1	-	-
Filipino	-	2	-
Ghanaian	-	1	-
Guyanese	-	1	-
Jamaican	-	4	-
Ugandan	-	1	-
Zimbabwean	-	1	-

We have nine male and ten female members of staff.

Gender	Senior Management	Auditors	Administrative
Female	2	6	2
Male	2	7	-

RISK MANAGEMENT

Risk management is a key element of the Office's management framework that meets the requirements set out in the PMFL as well as auditing standards. The OAG manages risks for the achievement of both financial and operational objectives. 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 that had been identified.

The Office has identified nine risks and has categorized these risks across four broad categories: 1) strategic, 2) operational, 3) financial, and 4) employees. After considering the controls in place to help mitigate these risks, we also considered the likelihood and impact of them occurring. After this assessment two risks were considered moderate, and seven low. The two moderate risks were:

- Breaches to our information technology systems
- Theft, loss and unauthorized access to data.

As a result of the identification of these risks the Office will actively monitor these areas and action is being taken to reduce exposure.

For 2016/17, operational risks were effectively managed and mitigated with no instances of significant events or deviation from operational plans.

Evidence of how the risks are managed can be found in the Office's most recent strategic plan ([OAG 2015 to 2019 Strategic Plan: Delivering Value](#)).

FINANCIAL ACCOUNTS



Financial Statements

31 December 2017

Office of the Auditor General Cayman Islands

Statement of Responsibility for Financial Statements

These financial statements have been prepared by the Office of the Auditor General in accordance with the provisions of the *Public Management and Finance Law (2017 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2017 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 law, and properly record the financial transactions of the Office of the Auditor General.

The financial statements fairly present the financial position, financial performance and cash flows of the Office of the Auditor General for the 18-month period ended 31 December 2017.

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 18-month period ended 31 December 2017;
- b) fairly reflect the financial position as at 31 December 2017 and the performance for the 18-month period ended 31 December 2017;
- c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

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



Sue Winspear, CPFA
Auditor General

DATE: 29 March 2018



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

DATE: 29 March 2018

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

We have audited the accompanying financial statements of the Office of the Auditor General (the "Office") which comprise the statement of financial position as at 31 December 2017, and the related statements of financial performance, changes in net assets/equity and cash flows for the period from 1 July 2016 to 31 December 2017, and the notes to the financial statements as presented on pages 45 to 65 of the annual report.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2017 and its financial performance, changes in net assets/equity and cash flows for the period from 1 July 2016 to 31 December 2017, 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.

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.
29 March 2018
Grand Cayman, Cayman Islands

Office of the Auditor General Cayman Islands
Statement of Financial Position
As at 30 June 2016 & 31 December 2017

(Expressed in Cayman Islands Dollars)

2015/16 Actual \$000		Note	2016/17 Actual \$000	2016/17 Original/Final Budget \$000	2016/17 Variance from Original Budget \$000
	Current assets				
689	Cash and cash equivalents	1	513	733	(220)
331	Accounts receivable & work in progress	2	785	417	368
3	Prepayments		11	3	8
1,023	Total current assets		1,309	1,153	156
	Non-current assets				
84	Property, plant and equipment	3	69	92	(23)
84	Total non-current assets		69	92	(23)
1,107	Total assets		1,378	1,245	133
	Current liabilities				
32	Accounts payable and accruals	4	32	95	(63)
169	Employee entitlements	5	129	95	34
237	Surplus payable	6	-	363	(363)
-	Unearned revenue	7	648	-	648
438	Total current liabilities		809	553	256
438	Total liabilities		809	553	256
669	Net assets		569	692	(123)
	Net assets/equity				
688	Contributed capital*	8	688	711	(23)
(19)	Accumulated surpluses/(deficits)*		(119)	(19)	(100)
669	Total net assets/equity		569	692	(123)

* See Statement of Changes in Net Assets/Equity on page 43

The accounting policies and notes on pages 45 to 65 form part of these financial statements

Office of the Auditor General Cayman Islands
Statement of Financial Performance
For the 18-month period ending 31 December 2017

(Expressed in Cayman Islands Dollars)

2015/16 Actual (12-Months)		Note	2016/17 Actual (18-Months)	2016/17 Original / Final Budget	2016/17 Variance from Original Budget
\$000			\$000	\$000	\$000
Revenue					
500	Audit services provided to Public Accounts Committee	9	921	921	-
1,724	Audit services provided to other government agencies	9	2,447	2,891	(444)
2,224	Total revenue		3,368	3,812	(444)
Expenses					
1,765	Personnel costs	10	2,943	3,110	(167)
383	Operating expenses	11	562	665	(103)
11	Depreciation	3	24	37	(13)
4	Loss on disposal of assets		-	-	
2,163	Total expenses		3,529	3,812	(283)
61	Net surplus/(deficit) for the year / period		(161)	-	(161)

The accounting policies and notes on pages 45 to 65 form part of these financial statements.

Office of the Auditor General Cayman Islands
Statement of Changes in Net Assets/Equity
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

2015/16 Actual (12-Months)		2016/17 Contributed Capital (18-Months) (Note 7)	2016/17 Accumulated Surpluses / (Deficits) (18-Months)	2016/17 Total Net Assets / Equity (18-Months)	2016/17 Total Net Assets/Equity Original/Final Budget	2016/17 Total Net Assets/Equity Variance From Original Budget
\$000	Note	\$000	\$000	\$000	\$000	\$000
669		688	(19)	669	669	-
61		-	(161)	(161)	-	(161)
-	-	-	-	-	23	(23)
-	6, 8	-		-	-	-
(61)	6	-	61	61	-	61
669		688	(119)	569	692	(123)

The accounting policies and notes on pages 45 to 65 form part of these financial statements.

Office of the Auditor General Cayman Islands
Cash Flow Statement
For the 18-month period ending 31 December 2017

(in Cayman Islands Dollars)

2015/16 Actual (12-Months)		2016/17 Actual (18-Months)	2016/17 Original/Final Budget	2016/17 Variance from Original Budget
\$000	Note	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts:				
518		910	946	(36)
1,785		2,651	2,996	(345)
Payments:				
(1,784)		(2,983)	(3,081)	98
(454)		(569)	(627)	58
65	14	9	234	(225)
CASH FLOWS FROM INVESTING ACTIVITIES				
(64)		(9)	(25)	16
(64)		(9)	(25)	16
CASH FLOWS FROM FINANCING ACTIVITIES				
-		-	23	(23)
-	6	(176)	(177)	1
-		(176)	(154)	(22)
1		(176)	55	(231)
688		689	678	11
689	1	513	733	(220)

The accounting policies and notes on pages 45 to 65 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the 18-month period ending 31 December 2017

(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 Law (2017 Revision)* (“PMFL”). 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 2017, the Office had 19 employees (30 June 2016: 17).

GENERAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 July 2016 and not early adopted.

Certain new accounting standards have been published that are not mandatory for the 31 December 2017 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.

The IPASPB issued IPSAS 39, Employee Benefits in July 2016 and it is to be applied for annual financial statements covering periods beginning on or after 1 January 2018. This standard supersedes IPSAS 25, Employee Benefits. The main differences between IPSAS 39 and 25 is the section relating to defined benefit plans and long-term employee benefits. This section now includes recommendations for first time adopters of IPSAS. As the OAG does not have a defined benefit plan or long-term employee benefits, the change to IPSAS 39 from IPSAS 25 will not impact these financial statements.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

IPSAS 40, Public Sector Combinations was issued in January 2017 and shall be applied for annual financial statements covering periods beginning on or after 1 January 2019. It is not anticipated in the future that the OAG will be combined with any other public sector entity and therefore it is anticipated this standard will not be applicable to the OAG in future periods.

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 Office's financial year end was changed from 30 June to 31 December as a result of an amendment to the *Public Management and Finance Law (2013 Revision)* that was passed by the Legislative Assembly on 27 March 2017. Accordingly, the financial statements have been prepared for the 18-month period ending 31 December 2017. The comparatives are for the 12-month period ended 30 June 2016 are not directly comparable to the 31 December 2017 numbers.

BUDGET AMOUNTS

The 2016/17 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 2016/17 original budget was presented in the 2016/17 Annual Budget Statement of the Government of the Cayman Islands and approved by the Legislative Assembly on 24 June 2016. There were no 2016/17 supplemental budgets submitted for approval to the Legislative Assembly for the Office.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(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 2017 and 30 June 2016, no reliable fair value estimate of contributed goods and services provided to the Office by government entities could be made and therefore no estimated amounts are recorded in these financial statements.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES

ASSETS

Cash and cash equivalents

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

Accounts Receivable

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

Work in Progress

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

Property, Plant and Equipment

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

- Furniture and fittings 6.66% (15 years) to 11.11% (9 years)
- Computer Equipment 33.33% (3 years)
- Office Equipment 10% (10 years) to 33.33% (3 years)
- Leasehold Improvements Over the term of the lease

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

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

LIABILITIES

Accounts Payable

Accounts payable are recognised initially at fair value and subsequently measured at 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 2016/17 and 2015/16 all eligible employees of the Office belonged to the defined contribution plan. There was one employee in part of 2016/17 and 2015/16 who reached retirement age and therefore was no longer eligible to participate in the defined contribution plan.

Unearned Revenue

The Office derives its revenue from the Public Accounts Committee and other government entities for audit services provided. The Office implemented stage billings for the 31 December 2017 financial audit work for several clients which included 50% billing upon commencement of work, which is recorded as unearned revenue until it is earned.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

LIABILITIES (CONTINUED)

Surplus Payable

Pursuant to the *Public Management & Finance Law (2017 Revision)* section 39 (3)(f) the Office may “retain such part of its net operating surplus as is determined by the Minister of Finance”. Under section 67 of the PMFL every reference to a minister is to be interpreted as a reference to Public Accounts Committee (“PAC”). When surpluses arise, these are booked as a payable to the Cayman Islands Government unless the PAC directs that the surplus can be retained.

CONTRIBUTED CAPITAL

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

REVENUE

Audit services revenue

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

EXPENSES

General

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

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

EXPENSES (CONTINUED)

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.

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.

2015/16		2016/17	2016/17	2016/17
Actual		Actual	Original/Final	Actual vs.
\$000		\$000	Budget	Original Budget
689	Bank accounts	513	733	(220)
689	Total cash and cash equivalents	513	733	(220)

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

Cash and cash equivalents are under budget by \$220k, which is a result of lower than expected revenue being generated from audit services provided to government agencies during the period and other factors as 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 \$176k from the prior year is a result of repayment of surplus payable of \$176k during the 18-month period. Cash from operations increased by \$9k, which was offset by cash outflows for purchases of property, plant and equipment of \$9k. See the Cash Flow Statement.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS

2015/16 Actual		2016/17 Actual	2016/17 Original/Final Budget	2016/17 Actual vs. Original Budget
\$000		\$000	\$000	\$000
-	Audit services to PAC (accounts receivable)	-	63	(63)
50	Audit services to PAC (work in progress)	61	21	40
30	Audit services to other government entities (accounts receivable)	469	250	219
251	Audit services to other government entities (work in progress)	255	83	172
331	Total gross accounts receivable & work in progress	785	417	368
-	Less: provision for doubtful debts	-	-	-
331	Total net accounts receivable & work in progress	785	417	368

Aging Analysis of Accounts Receivable & Work in Progress

2015/16 Actual	Accounts receivable & work in progress	2016/17 Actual	2016/17 Original/Final Budget	2016/17 Actual vs. Original Budget
\$000		\$000	\$000	\$000
301	Current (WIP)	316	104	212
11	Past Due 1-30 days	163	134	29
-	Past Due 31-60 days	39	100	(61)
7	Past Due 61-90 days	239	79	160
6	Past Due 91-180 days	28	-	28
6	Past Due 181-360 days	-	-	-
-	361 + Days	-	-	-
331	Total	785	417	368

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

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

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

Accounts receivable & work in progress for audit services provided to PAC:

Actual to budget: the Office expected PAC to have outstanding accounts receivable and work in progress balances of \$84k at period end. However, the balance owing by PAC to the Office was \$23k less than budget. This decrease from budget was a result of PAC being up to date on its payments and the only outstanding bill was for December 2017 work, which is recorded as work in progress.

Current period to prior year actual: for the period ending 31 December 2017 the overall work in progress balance increased from the prior year by \$11k due to more work being performed by consultants and staff in the last month of the period.

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

Actual to budget: the Office's accounts receivable and work in progress combined were \$368k higher than budget as a result of the change in the way we started to bill several clients. We implemented stage billings for the 31 December 2017 financial audit work for several clients which included 50% billing upon commencement of work. This resulted in accounts receivable being higher than budget by \$152k. The Office also moved to quarterly billing during the year for some clients and therefore had higher actual work in progress than budget by \$212k as at 31 December 2017.

Current period to prior year actual: accounts receivable and work in progress were \$454k more than the prior year. This increase was a result of the change in our billings process with stage billings and quarterly billings as described in the paragraph above.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings \$000	Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000	Original/Final Budget \$000	Actual vs. Original Budget \$000
<u>Cost</u>							
At 1 July 2015	54	27	24	13	118	122	(4)
Additions	57	1	5	1	64	92	(28)
Disposals	(42)	-	-	-	(42)	(18)	(24)
At 30 June 2016	69	28	29	14	140	196	(56)
<u>Accumulated Depreciation</u>							
At 1 July 2015	44	21	17	2	84	85	(1)
Accumulated depreciation on disposals	(39)	-	-	-	(39)	(19)	(20)
Depreciation charge for the year	2	1	5	3	11	27	(16)
At 30 June 2016	7	22	22	5	56	93	(37)
Net book value at 30 June 2016	62	6	7	9	84	103	(19)
<u>Cost</u>							
At 1 July 2016	69	28	29	14	140	196	(56)
Additions	2	-	7	-	9	25	(16)
Disposals	-	-	-	-	-	(7)	7
At 31 December 2017	71	28	36	14	149	214	(65)
<u>Accumulated Depreciation</u>							
At 1 July 2016	7	22	22	5	56	92	(36)
Accumulated depreciation on disposals	-	-	-	-	-	(7)	7
Depreciation charge for the year / period	10	2	7	5	24	37	(13)
At 31 December 2017	17	24	29	10	80	122	(42)
Net book value at 31 December 2017	54	4	7	4	69	92	(23)

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

In 2016/17, the Office was under budget by \$16k for additions as a result of not purchasing a new printer and over budget by \$7k for disposal of property, plant and equipment as no property was disposed of in the 18-month period.

In 2015/16, the Office purchased new office work stations at a lower cost than forecasted in the 2016/17 budget, which resulted in lower opening cost balances than anticipated. Also, the cost of disposed furniture and fittings forecasted for 2015/16 in the 2016/17 budget was lower than the actual cost of disposed furniture and fittings. The actual depreciation amount therefore was less than the budgeted depreciation amount for the 18-month period ending 31 December 2017 due to the cost of additions being lower than budget.

The old work stations were transferred to the Department of Environmental Health in 2015/16. All other asset categories were in line with the anticipated budget.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Original/Final Budget \$000	2016/17 Actual vs. Original Budget \$000
17	Trade creditors	17	75	(58)
15	Accruals	15	20	(5)
32	Total	32	95	(63)

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

Trade creditors: Trade creditors' payable was under the budget by \$58k as it was anticipated there would be higher professional fees owing to consultants as at 31 December 2017. However, trade payables at the 18-month period end are consistent with the prior year amount.

Accruals: The Office's accruals were under budget by \$5k from as it was anticipated there would be higher audit fees for the 18-month period ending. However, as the audit fees remained the same for the 18-month period, actual accruals are consistent with the actual from the prior year.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2015/16 Actual	Current employee entitlements are represented by:	2016/17 Actual	2016/17 Original/Final Budget	2016/17 Actual vs. Original Budget
\$000		\$000	\$000	\$000
122	Annual leave	81	63	18
47	Time off in Lieu	48	32	16
169	Total employee entitlements	129	95	34

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

Actual annual leave was \$18k greater than budget as we were not able to have employees reduce the buildup of annual leave as much as anticipated during the 18-month period. We achieved a reduction in annual leave by \$41k from prior year's actual due to several employees being paid out annual leave upon resignation and other employees had some of their annual leave paid out. Time off in lieu was over budget by \$16k for similar reasons to annual leave and just \$1k more from last year's actual due to employees using their time off in lieu and being paid out.

NOTE 6: SURPLUS PAYABLE

2015/16 Actual		2016/17 Actual	2016/17 Original/Final Budget	2016/17 Actual vs. Original Budget
\$000		\$000	\$000	\$000
237	Surplus payable	-	363	363
237	Total	-	363	363

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

Actual to budget and prior year: In the 2016/17 budget, the Office forecasted to have a surplus of \$363k at 30 June 2016, but only achieved a \$61k surplus. During the 18-month period ending 31 December 2017, the Office paid back \$176k against the surplus payable as at 30 June 2016 leaving the \$61k surplus payable for the 30 June 2016 financial year. The Chair of PAC in accordance with section 39(f) of the PMFL approved the Office to offset the remaining \$61k against the deficit incurred during the current fiscal year and therefore at 31 December 2017 there was no surplus payable.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 7: UNEARNED REVENUE

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Original/Final Budget \$000	2016/17 Actual vs. Original Budget \$000
-	Unearned Revenue	648	-	648
-	Total	648	-	648

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

As at 31 December 2017 there was a significant increase from budget and prior year actual due to a change in our billing methodology, which 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) for the 2016/17 financial statement audits undertaken.

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 realizable 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.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 8: CONTRIBUTED CAPITAL (CONTINUED)

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Original/Final Budget \$000	2016/17 Actual vs. Original Budget \$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections:	404	427	(23)
	2004/05: \$222k			
	2005/06: \$ 5k			
	2007/08: \$177k			
181	Contributed goods & services (2010/11)	181	181	-
-	Repayment of surpluses	-	-	-
688	Total contributed capital	688	711	(23)

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

The Office did not request an equity injection of \$23k budgeted during the current fiscal year for purchase of office furniture and equipment as the purchase did not take place and 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
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 9: REVENUE

2015/16 Actual (12 Months) \$000		2016/17 Actual (18 Months) \$000	2016/17 Original/Final Budget \$000	2016/17 Actual vs. Original Budget \$000
	Revenue			
500	Audit services provided to Public Accounts Committee	921	921	-
1,724	Audit services provided to other government agencies	2,447	2,891	(444)
2,224	Total revenue	3,368	3,812	(444)

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

Budget versus actual: Actual audit service fees to PAC for the 18-month period were in line with the budgeted amount, resulting in no variance from budget. However, revenues have not been realized on audit services provided to other government agencies and were under budget by \$444k. This is a result of having an 18-month financial period where there was only one audit cycle in which to collect financial statement audit fees. We did not conduct as many interim audits for the 2016/17 financial audit year during this period and therefore we were under budget. In addition, we have not been able to fully recover our costs on some backlog financial statement audits, which has also contributed towards our revenues being under budget.

Current year actual versus prior year actual: The current year actuals are not directly comparable to the prior period as the current year is for 18 months versus 12 months. Audit service to PAC fees increased by \$421k over the prior period as a result of the extra 6 months and a focus to use staff internally to conduct more performance audit work during this 18-month period. Actual audit services provided to other government agencies during the 18-month period were \$723k over the prior period actual due to the extra 6 months.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 10: PERSONNEL COSTS

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Original/Final Budget \$000	2016/17 Actual vs. Original Budget \$000
1,507	Salaries, overtime & allowances (including employee pension contributions)	2,515	2,562	(47)
176	Health insurance	267	336	(69)
71	Employer pension expense	130	137	(7)
11	Other personnel costs	31	75	(44)
1,765	Total personnel costs	2,943	3,110	(167)

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

Salaries, overtime & allowances:

Actual to budget: salaries, overtime and allowances were under budget by \$47k, which was due to several factors. Certain audit project leader posts that were vacant were not filled right away, but these savings (\$25k) were offset by overtime paid to staff in excess of budget by \$37k. However, duty allowances provided to staff during the 18-month period were under budget by \$24k.

Current year actual to prior year actual: salaries were \$1million higher than the prior year due to salaries being for an 18-month period versus the 12-month period. In December 2016 adjustments were made to employees' salaries for those whose pay was stagnated for several years due to the austerity measures adopted by the Cayman Islands Government. In addition, for the first time in several years pay increments were also awarded for staff who had obtained the IPSAS qualifications.

Health insurance: Health insurance benefits were \$69k less than budget due to premiums being less for the audit project leaders who replaced those who had resigned and the status of other employees not changing as anticipated. Health insurance benefits were \$91k more than the prior year due to this being an 18-month period versus a 12-month period.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 10: PERSONNEL COSTS (CONTINUED)

Other personnel costs: These costs pertain to recruitment, freight, and leave passages. The Office was under budget by \$44k as a result of staff turnover which did not require as much costs to relocate personnel back to their home countries. In addition, the movement in annual leave and time-off-in-lieu to salaries were reclassified to salaries.

The current period expenses were in line with prior year actuals considering an 18-month period versus a 12-month period and more employees who resigned during the current period were entitled to relocation expenses.

NOTE 11: OPERATING EXPENSES

2015/16 Actual (12 Months) \$000		2016/17 Actual (18 Months) \$000	2016/17 Original/Final Budget \$000	2016/17 Actual vs. Original Budget \$000
167	Professional fees	231	228	3
96	Operating leases	145	142	3
20	Travel & subsistence	43	44	(1)
26	Other goods and services	35	47	(12)
12	Training	26	40	(14)
11	Software licensing fees	19	43	(24)
11	Janitorial services	17	16	1
14	Utilities	17	36	(19)
15	Audit fees	15	20	(5)
6	Legal fees	6	40	(34)
2	Insurance	4	5	(1)
3	Computer and communication supplies	4	4	-
383	Total operating expenses	562	665	(103)

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

Professional Fees: Professional fees were slightly over budget by \$3k and increased \$34k over the prior year actual due to the 18 month period.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 11: OPERATING EXPENSES (CONTINUED)

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

Training: The Office was under budget by \$14 due to \$10k being budgeted for CPA studies, which was not utilized by any staff during the year. The remaining training costs were in line with the budget. The current period training expenses were \$14k more than the prior year’s actual expense, which is in line considering this was an 18-month period versus a 12-month period.

Software Licensing Fees: Software licensing fees were \$8k greater than the prior year actual due to the 18-month period, and \$24k under budget due to not purchasing a new software package that we anticipated.

Utilities: Utilities continued a downward trend since moving into our new location. The main savings have been associated with our electricity bills. Utilities were under budget by \$19k as a result of the savings in electricity. In addition, the increase was only \$3k over the prior period actual (12 months) even though this was for an 18-month period.

Legal Fees: Legal fees were \$34k under budget and consistent with the prior year actual as there was less need for legal advice on the performance audits.

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 must provide 6 months’ notice to the Landlord for a new lease to be negotiated for a further five years at an agreed upon open market rental rate.

Type	One year or less \$000	One to five years \$000	Over five years \$000	2017 Total \$000	2016 Total \$000
Non-cancellable accommodation lease	95	79	-	174	316

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 13: CONTINGENT LIABILITIES

At 31 December 2017, there are no quantifiable and non-quantifiable contingent liabilities (30 June 2016: no contingent liabilities).

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

2015/16 Actual \$000		2016/17 Actual \$000	2016/17 Original/Final Budget \$000	2015/16 Actual vs. Original Budget \$000
61	Net surplus / (deficit)	(161)	-	(161)
	Non-cash movements			
11	Depreciation	24	37	(13)
(90)	Increase/(decrease)in payables/accruals	(40)	67	(107)
-	Increase/(decrease)in other current liabilities	648	-	648
79	Decrease/(increase) in receivables	(455)	130	(585)
-	Decrease/(increase) in prepayments	(7)	-	(7)
4	Loss on disposal of assets	-	-	-
65	Net cash flows from operating activities	9	234	(225)

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 2016/17 and 2015/16 Annual Budget Statements of Government, there were no inter-agency charges between core government entities, except for audit services revenue. As a result, the Office was unable to make an estimate of the fair value of contributed goods and services received for the 2016/17 and 2015/16 fiscal years as described in note 8.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 15: RELATED PARTY TRANSACTIONS (CONTINUED)

KEY MANAGEMENT PERSONNEL

As at 31 December 2017 there were four senior managers in the Office (30 June 2016: 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 18-month period ending 31 December 2017 was \$942k (12-month period ending 30 June 2016: \$492k). In accordance with the *Personnel Regulations (2017 Revision), Schedule 1, 10.(a)(iv)* settlement loans were provided to the Auditor General and Director of Performance Audit in the amounts of \$12,000 and \$7,623 respectively for the 18-month period ending 31 December 2017. These two loans were repaid during the 18-month period and no amounts were outstanding as at 31 December 2017. There were no other loans made to key management personnel or their close family members in 2016/17 or in 2015/16.

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 (2017 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.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
For the 18-month period ending 31 December 2017
(in Cayman Islands Dollars)

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Office is also exposed to a significant concentration of credit risk in relation to accounts receivable, all of which are due from other Government entities. No credit limits have been established. As at 31 December 2017 and 30 June 2016, 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 2017 and 30 June 2016, 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 2017 and 30 June 2016, the carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable, employee entitlements, and surplus payable upon demand approximate their fair value due to their relative short-term maturities.

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

APPENDIX 1 – ENTITIES AUDITED BY THE AUDITOR GENERAL

Under the PMFL the Auditor General is responsible for carrying out the audits of all public sector entities. 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 2016/17.

Entity	Auditor
Ministries, Portfolios and Offices:	
Cabinet Office	Office of the Auditor General
Information Commissioner's Office	KPMG
Judicial Administration	KPMG
Ministry of Community Affairs	Office of the Auditor General
Ministry of District Administration, Tourism and Transport	Office of the Auditor General
Ministry of Education, Employment and Gender Affairs	Office of the Auditor General
Ministry of Finance and Economic Development	Office of the Auditor General
Ministry of Financial Services, Commerce and Environment	Office of the Auditor General
Ministry of Health, Youth, Sports and Culture	Office of the Auditor General
Ministry of Home Affairs	Office of the Auditor General
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	Office of the Auditor General
Office of the Complaints Commissioner	KPMG
Office of the Director of Public Prosecutions	KPMG
Office of the Ombudsman	KPMG
Portfolio of the Civil Service	Office of the Auditor General
Portfolio of Legal Affairs	KPMG
Statutory Authorities & Government Companies	
Auditors Oversight Authority	Office of the Auditor General
Cayman Airways Limited	PWC
Cayman Islands Airport Authority	Office of the Auditor General
Cayman Islands Development Bank	Office of the Auditor General
Cayman Islands Monetary Authority	Office of the Auditor General

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

APPENDIX 2 - REPORTS ISSUED AND IN PROGRESS DURING 2016/17

Reports Issued during 2016/17

Report	Date of Issue	Summary
Review of Scrap Metal Removal Contract	November 2016	<p>The public interest report examined the award of a contract for the removal of scrap metal from the landfill sites on Grand Cayman and Cayman Brac signed in 2013.</p> <p>We concluded that there is room to improve the Cayman Islands Government procurement policy and legislation. We also indicated that we had seen no evidence to suggest that members of the Department or the DTC acted in an unethical manner when undertaking the tender and award process for the Contract. In addition, we do not believe that the scoring methodology for evaluating tender proposals used for the contract was appropriate. We were advised that the primary objective of the contract was to remove scrap metal from the Cayman Islands, yet the scoring methodology focused on price as opposed to ability to execute.</p>
Ensuring Quality Health Care and a Healthy Population	January 2017	<p>The audit found that the Government's roles and responsibilities are mostly set out and communicated through the legislative framework it has put in place. Despite some gaps, the health system's legislative framework provides the Government with a firm basis for the authority required to execute its roles and responsibilities.</p> <p>However, Government failed to develop the operational plan that was required to implement the National Health Policy and Strategic Plan.</p> <p>In addition, Government has not put in place a performance management and reporting framework for the health system. It has not established and communicated realistic performance expectations or reporting systems to obtain regular and reliable performance information that it could use to inform decisions aimed at improving the quality of care, delivering better health outcomes, and achieving better value for money.</p>

Report	Date of Issue	Summary
Cayman Islands Health System	January 2017	<p>This public interest report on the Cayman Islands health system is to provide additional descriptive information about the health care system as a companion document to the performance audit report on <i>Ensuring Quality Health Care and a Healthy Population</i>.</p> <p>This public interest report addresses the lack of current, complete and readily accessible information on the Cayman Islands health system, including all types of health care services that fall within the public sector as well as those that are private.</p>
The Health Care System of the Cayman Islands - Survey of Physicians and Dentists	January 2017	<p>This Report provides the results of the survey that was conducted to inform the performance audit <i>Ensuring Quality Health Care and a Healthy Population</i> and the public interest report on the <i>Cayman Islands Health System</i>. The information was obtained from private sector health care practitioners through the use of a survey between 15 March and 15 April 2016. The Office invited physicians and dentists to complete an online survey. The purpose of the survey was to obtain the physicians' and dentists' perspectives on what works and what needs to be improved in the health care system in the Cayman Islands.</p>
Governance in Aviation Bodies – Summary of Key Findings	July 2017	<p>In December 2013, the Office issued two reports on the Governance of SAGCs in the Cayman Islands. With a view to measuring progress against these reports and their recommendations we carried out a review of governance in the three aviation bodies: Civil Aviation Authority of the Cayman Islands (CAACI); Cayman Islands Airport Authority (CIAA); and Cayman Airways Ltd. (CAL).</p> <p>This report provides a high-level summary of the common themes that emerged from the three audits. It identifies recommendations we would have made to Cayman Islands Government that have been addressed through the recently passed Public Authorities Law 2017 and makes some additional recommendations to government that could further strengthen governance in SAGCs.</p>
Follow-up on Past PAC recommendations	July 2017	<p>The PAC tabled eight reports in June 2016 and the Government was expected to formally respond by 30 September 2016. We followed up the recommendations to these 8 reports. This report provides: a high-level assessment of each report, including a rating of progress; an overall conclusion on Government's progress in implementing PAC recommendations; and detailed assessments of Government's progress for each report.</p>
Major Capital Project Follow Up	October 2017	<p>The OAG has previously published two reports on major capital projects: <i>Management of Major Capital Projects</i></p>

Report	Date of Issue	Summary
		<p>(June 2012) and <i>Major Capital Projects – Building Schools</i> (May 2015). These reports identified significant weaknesses in the way major capital projects were being governed and managed.</p> <p>This follow-up report examines Government’s governance and management framework for the planning and implementation of major capital projects. It follows up on the recommendations made in our two previous audit reports.</p>
Financial Reporting of the Cayman Islands Government: General Report 30 June 2015 & 2016	December 2017 (Not made public until January 2018)	This report summarises the Office’s financial audits of the Entire Public Sector (EPS) and the 42 public sector entities that it contains (15 Ministries, Offices and Portfolios and 27 SAGCs) for the years ending 30 June 2015 and 2016.

Reports in Progress as at 31 December 2017

Report	Summary	Progress
Government’s use of consultants and temporary staff	The audit will review the Cayman Islands Government’s use of consultants and temporary staff to determine whether the services are procured effectively and provide value for money.	Report drafted and to obtain comments from management. Report is expected to be issued in early March 2018.
Workforce planning and management in Government	The audit will review the Cayman Islands Government’s approach to planning and managing its workforce.	In progress. Report is expected to be issued in early April 2018.
Customs	The audit will review the Customs services provided by the Cayman Islands Government and determine how efficiently and effectively these are delivered.	Planning stage. Report is expected to be issued in November 2018.
Fighting Corruption in the Cayman Islands	An international counter corruption performance audit tool has been developed by INTOSAI and our Office is undertaking an audit using this tool to assess the effectiveness of mechanisms to prevent corruption. Two staff members are participating in the related INTOSAI learning programme.	In Progress. Report is expected to be issued in September 2018

APPENDIX 3 – OUTPUTS DELIVERED 2016/17

The outputs delivered in 2016/17 to the PAC as per the Annual Budget Statement for the OAG.

AUD 2	Investigations and Reports		
<p>Description Audit reports and advice to Public Accounts Committee (PAC) and other Legislative Committees relating to the following:</p> <ul style="list-style-type: none"> • Management of executive financial transactions • Financial Management of Entire Public Sector (EPS) or of any Ministry, Portfolio, Statutory Authority or Government Company • The economy, efficiency and effectiveness of any Ministry, Portfolio, Statutory Authority or Government Company • Other matters of public interest as determined by the Auditor General 			
Measures	2016/17 Actual (18-Months)	2016/17 Budget (18-Months)	
<p>Quantity</p> <ul style="list-style-type: none"> • Number of reports issued to the Legislative Assembly • Number of audits in progress / partial reports at year end 	8 4	7-12 2-3	
<p>Quality</p> <ul style="list-style-type: none"> • Issued reports are reviewed and signed off by Audit Director and/or Auditor General • Request client's comments on the draft reports and amend the final report if necessary 	100% 100%	100% 100%	
<p>Timeliness</p> <ul style="list-style-type: none"> • Auditor General reports become public documents within two weeks of submission to the Speaker of the Legislative Assembly. • All reports are publicly available through the website within two days after becoming a public document. 	63% 100%	100% 100%	
<p>Location Cayman Islands: Office of the Auditor General, 3rd Floor Anderson Square, George Town, and Client premises (local & international)</p>	100%	100%	
<p>Cost (of producing the Output)</p>	\$989,706	\$921,000	
<p>Price (paid by PAC for the output)</p>	\$921,000	\$921,000	
<p>Related Broad Outcome: 8. Culture of Good Governance</p>			

Contact us

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Complaints

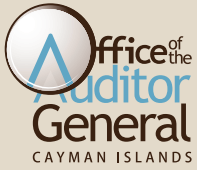
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Garnet Harrison at our address, telephone or fax number or alternatively email: garnet.harrison@oag.gov.ky

Freedom of Information

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

Media enquiries

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



March 2018