



OAG Quarterly Report

31 December 2014

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

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FINANCIAL AUDIT PRACTICE

EPS AUDITS

1. As shown in Exhibit 1, audit work on three of the five Entire Public Sector (EPS) submissions has been completed, with disclaimers of opinion issued. Currently the Ministry of Finance and Economic Development is trying to address a number of the issues that gave rise to the disclaimers of opinion on the EPS financials in the two outstanding EPS financial statements for 2011-12 and 2012-13, but we are currently proposing to disclaim these as well.
2. With respect to the EPS financial statements for 2013-14, we received the draft statements in line with the timetable set out in the PMFL of 31 October 2014. At this time we are targeting completion and certification of these statements by 30 June 2015, although this is highly dependent on a number of factors, not least of which is the effective completion of the outstanding material entity financial statements.

Exhibit 1 – EPS Audit Progress

Year	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
2008-09	6 May 2014	Disclaimed	8 December 2014
2009-10	30 November 2014	Disclaimed	
2010-11	25 July 2013	Disclaimed	9 April 2014
2011-12	In progress		
2012-13	In progress		

ENTITY AUDITS

3. In the final quarter of the calendar year the OAG was focused on the audits of the entity financial statements for the year ending 30 June 2014.
4. All entities provided their financial statement submissions to the OAG by 31 August 2014 apart from one, which was received on 2 September. By the statutory deadline of 31 October 2014, the audits of 23 entities were completed and signed off, with a further entity signed off shortly after the deadline. The audits of a further two entities were materially complete but were not signed off so as to enable entities to address qualification and going concern issues. Of the 24 opinions given so far 16 were unqualified and 8 were qualified. Exhibit 3 provides a high level summary. Appendix A provides details for each individual entity.

Exhibit 3 – Entity Audits 2013-14

Year	Number of Entity Audits	Audits Completed	Audits Outstanding	Annual Reports Tabled
2013-14	42	24	18	5

5. The results that have been achieved for the year ending 30 June 2014 in respect of the completion and certification of entity financial statements are the best since the introduction of the PMFL. Also for the first time since the introduction of the PMFL the Annual Report or the Annual Financial Statements of five entities were tabled in Legislative Assembly in accordance with the intentions of the PMFL. However there is still significant work to be done in order to ensure that all outstanding entity financial statements are completed.
6. Over the last few years we have progressively been able to complete and sign off more financial statements by the statutory deadline of 31 October. However, subsequent to the passing of the statutory deadline we have identified that the effort and momentum to get the outstanding entity financial statements completed falls away within the entities, and my Office faces challenges in progressing the completion of audits, as entities become unresponsive to questions and issues raised by my auditors.
7. I recognize that after the passing of the statutory deadline other priorities kick in, including the Strategic Policy Statement and the annual budget cycle. However my concern is that without a further concerted effort on behalf of the entities, working with my auditors, the completion and certification of entity financial statements in line with the statutory deadlines will continue to be an issue into the foreseeable future, as the backlogged financial statements will continue to impede the preparation and audit of current year financial statements, and preventing the achievement of effective accountability as envisioned in the PMFL.
8. In light of this I have written to the Deputy Governor to inform him of my concerns and garner his support in ensuring that the pressure is maintained on entities and their senior management to ensure that we can materially clear all outstanding financial statements by 30 June 2015 at the very latest.
9. I have also indicated to the Deputy Governor that it is my intention to issue a general report on the financial reporting across the entities by 30 June 2015, covering both the 30 June 2013 and 2014 financial years, no matter what position has been reached in regard to the completion of the outstanding financial statements.
10. With respect to the prior years, Exhibit 4 provides a high level summary of the current state of audit completion and tabling of annual reports in the Legislative Assembly. Appendices B to D provide details for each individual entity.

Exhibit 4 – Prior Year Audits

Year	Number of Entity Audits	Audits Completed	Audits Outstanding	Annual Reports Tabled
2012-13	43	33	10	25
2011-12	41	40	1	30
2010-11	40	40	0	34

11. For the financial years up to and including 2010-11 all entity audits have been completed and for financial year 2011-12 all audits have been completed apart from one. With respect to 2012-13 ten of the 43 audits are still required to be completed.
12. With respect to the tabling of reports in the Legislative Assembly, there has been a further effort to table reports for prior years in the last quarter, with 18 reports tabled for the three years from 2010-11 to 2012-13.

PERFORMANCE AUDIT PRACTICE

13. The OAG currently has five performance audits in progress. The fieldwork for four of these is complete and they are at various stages of the reporting phase. Exhibit 5 provides further details of each audit and their progress.

Exhibit 5 – Performance audits in progress

Report	Summary	Progress
Management of Land	The audit examines whether the Cayman Islands Government is adequately managing land use and development to meet the government objectives, both for the Cayman Islands in general and also for Crown Lands in particular. The audit includes some sample cases including the “For Cayman Investment Alliance”.	Draft report sent for legal review prior to submission to Government officials for clearance
Social Benefits Payments	The audit examines whether social assistance programmes are strategically managed to achieve intended results and delivered with due regard for value for money	Draft report submitted to Government officials for clearance.
Major Capital Projects Part 2 - Schools	The audit examines how the Government is managing major capital projects (including the procurement and financing) and whether due consideration was given to achieving value for money. This will include examination of the completion phase of the high schools, and the primary schools projects.	Draft report submitted to Government officials for clearance.
Governance Review of Cayman Airways, Cayman Islands Airports Authority and the Civil Aviation Authority	The audit is examining the arrangement in place to govern and manage the performance and operations of three SAGCs efficiently, effectively and economically, and in a manner which is accountable and transparent.	Field work ongoing
Nation Building Programme	This audit is examining whether the payments made from the Nation Building Fund were managed effectively and that there was due regard for value for money, accountability and transparency.	Report being drafted.

14. Initial scoping is underway for a performance audit of Government Revenues, with planning scheduled to commence in February 2015. The scope of the audit will be developed and extended to provide assurance for the audit of the EPS financial statements as well as a standalone performance audit report.
15. We will shortly be engaging Deloitte to follow up previous work they conducted for the OAG on Government's main accounting systems and IT security. The results will be reported in a separate report but will also be used to provide assurance for the audit of the EPS financial statements.

UPDATED WORK PROGRAMME

16. We have updated our Performance Audit work programme to reflect developments over the course of the last year. A copy has been provided to Members and will shortly be made available on our website.

OPERATIONAL REPORT

OAG ANNUAL REPORT

17. The OAG's Annual Report for the year ending 30 June 2014 was tabled in the Legislative Assembly on 24 October 2014 in line with the requirements of the PMFL.

OAG FINANCIAL PERFORMANCE SIX MONTHS TO 31 DECEMBER 2014

18. Exhibit 6 provides details of the OAG's financial performance for the first half of 2014-15. For the six months to 31 December the OAG has generated a surplus of just under \$109k.

Exhibit 6 – OAG Statement of Financial Performance for the Six Months to 31 December 2014

	YTD Actuals	YTD Budget	YTD Variance
REVENUE			
Audit services provided to PAC	226,604	195,000	31,604
Audit services provided to Other Govt Agencies	983,954	1,240,000	(256,046)
Other Revenue	0	0	
TOTAL OPERATING REVENUE	1,210,558	1,435,000	(224,442)
EXPENSES:			
Personnel costs	931,305	935,619	(4,314)
Operating Expenses	164,332	234,683	(70,351)
Depreciation	5,938	9,330	(3,392)
TOTAL EXPENSES	1,101,575	1,179,632	(78,057)
SURPLUS FROM OPERATING ACTIVITIES	108,983	255,368	(146,385)
Gains/(losses) on FX transactions	8	0	8
Gains/(losses) on disposal or revaluations of non-current assets	0	0	-
TOTAL NON-OPERATING REVENUE AND EXPENSES	8	0	8
Surplus before Extraordinary Items	108,991	255,368	(146,377)
Extraordinary Items	0		
NET SURPLUS	108,991	255,368	(146,377)

OAG STRATEGIC PLAN

19. The development of a revised OAG strategic plan for the period 2014-17 commenced in March 2014 with stakeholder consultation, in particular externally facilitated consultation and focus groups with OAG staff.
20. In conjunction with the strategic objectives for the OAG for the period of the plan, the strategic planning process is also revisiting the vision, mission and core values of the OAG.
21. The planned finalisation and publication of the new strategic plan has been pushed back to February 2015 as a result of other work commitments in the final months of 2014.

OFFICE ACCOMMODATION

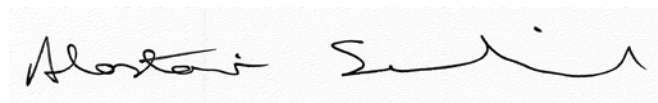
22. The OAG completed its office move on 3 November. The Information Commissioner's Office and the Office of the Complaints Commissioner are expected to co-locate with the OAG on the third floor of Andersen Square towards the end of January.

REGIONAL AND INTERNATIONAL

23. Staff from the OAG took part in the CAROSAI (Caribbean Organisation of Supreme Audit Institutions) workshop on the implementation of ISSAIs (International Standards of Supreme Audit Institutions) in Trinidad in November 2014. As well as being participants all the OAG staff were facilitators at the workshop reflecting the OAGs expertise in financial and performance audit within the region.
24. The Auditor General attended a three day planning meeting with the IDI (INTOSAI Development Initiative) in Norway in December to discuss the priorities for IDI's development work within the Audit Institution Community for the next three years.

AND FINALLY.....

25. I would like to wish all members of the Public Accounts Committee a healthy and prosperous new year, and I look forward to supporting the Committee in its work and the achievement of its objectives and goals in the year ahead.



*Alastair Swarbrick MA(Hons), CPFA
Auditor General
George Town, Grand Cayman
Cayman Islands*

12 January 2015

APPENDIX A – STATUS OF THE 2013-14 AUDITS

Table 1 - Ministry and Portfolio audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	Substantially complete		
Director of Public Prosecutions	31 October 2014	Unqualified	
Information Commissioners Office	31 October 2014	Unqualified	
Judicial Administration	31 October 2014	Qualified	
Ministry of Community Affairs	31 October 2014	Unqualified	27 November 2014
Ministry of District Administration, Tourism and Transport	31 October 2014	Qualified	27 November 2014
Ministry of Education, Employment and Gender Affairs	In progress		
Ministry of Finance and Economic Development	In progress		
Ministry of Financial Services, Commerce and Environment	In progress		
Ministry of Health, Youth, Sports and Culture	In progress		
Ministry of Home Affairs	In progress		
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	In progress		
Office of the Complaints Commissioner	31 October 2014	Unqualified	
Portfolio of the Civil Service	31 October 2014	Unqualified	27 November 2014
Portfolio of Legal Affairs	31 October 2014	Qualified	

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	31 October 2014	Unqualified	
Cayman Airways Limited	Substantially complete		
Cayman Islands Airport Authority	In progress		
Cayman Islands Development Bank	Finalised		
Cayman Islands Monetary Authority	31 October 2014	Unqualified	
Cayman Islands National Museum	In progress		
Cayman National Cultural Foundation	31 October 2014	Unqualified	
Cayman Islands Stock Exchange	17 October 2014	Unqualified	
Cayman Turtle Farm (1983) Ltd.	29 October 2014	Qualified	
Children & Youth Services Foundation	In progress		
CINICO	In progress		
Civil Aviation Authority	6 November 2014	Qualified	
Electricity Regulatory Authority	31 October 2014	Unqualified	
Health Services Authority	In progress		
Information and Communications Technology Authority	31 October 2014	Unqualified	
Maritime Authority of the Cayman Islands	31 October 2014	Unqualified	27 November 2014
National Drug Council	27 October 2014	Unqualified	
National Gallery of the Cayman Islands	30 October 2014	Qualified	
National Housing Development Trust	Substantially Complete		
National Roads Authority	30 October 2014	Unqualified	
Port Authority of the Cayman Islands	31 October 2014	Qualified	
Public Service Pensions Board	31 October 2014	Unqualified	8 December 2014
Segregated Insurance Fund	Further discussion on whether a separate audit is required		
Sister Islands Affordable Housing Development Corporation	Substantially Complete		
Tourism Attractions Board	In progress		
University College of the Cayman Islands	30 October 2014	Unqualified	
Water Authority of the Cayman Islands	31 October 2014	Unqualified	

APPENDIX B – STATUS OF THE 2012-13 AUDITS

Table 1 - Ministry and Portfolio audits

Entity		Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office		31 October 2013	Qualified	8 December 2014
Director of Public Prosecutions		25 October 2013	Unqualified	29 Jan 2014
Information Commissioners Office		29 October 2013	Unqualified	
Judicial Administration		24 October 2013	Qualified	
Ministry of Health, Environment, Youth, Sports and Culture		Substantially Complete		
Ministry of District Administration, Works, Lands and Agriculture		In Progress		
Ministry of Education, Training and Employment		Substantially Complete		
Ministry of Community Affairs, Gender and Housing		30 June 2014	Unqualified	27 November 2014
Ministry of Financial Services, Tourism and Development	Finance and Economics	27 November 2014	Qualified	
	Financial Services	Substantially Complete		
	Tourism	18 June 2014	Disclaimed	24 October 2014
Office of the Complaints Commissioner		31 October 2013	Unqualified	8 December 2014
Office of the Premier		4 August 2014	Unqualified	8 December 2014
Portfolio of the Civil Service		28 October 2013	Unqualified	9 April 2014
Portfolio of Internal and External Affairs		In Progress		
Portfolio of Legal Affairs		29 October 2013	Qualified	29 Jan 2014

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	28 February 2014	Unqualified	25 June 2014
Cayman Airways Limited	5 August 2014	Unqualified	
Cayman Islands Airport Authority	In Progress		
Cayman Islands Development Bank	3 July 2014	Unqualified	24 October 2014
Cayman Islands Monetary Authority	31 October 2013	Unqualified	9 April 2014
Cayman Islands National Museum	12 September 2014	Qualified	
Cayman National Cultural Foundation	31 October 2013	Unqualified	27 November 2014
Cayman Islands Stock Exchange	25 October 2013	Unqualified	9 April 2014
Cayman Turtle Farm (1983) Ltd.	24 October 2013	Qualified	26 Feb 2014
Children & Youth Services Foundation	Substantially Complete		
CINICO	Substantially Complete		
Civil Aviation Authority	28 October 2013	Qualified	9 April 2014
Electricity Regulatory Authority	31 October 2013	Qualified	11 September 2014
Health Services Authority	Substantially Complete		
Information and Communications Technology Authority	31 October 2013	Unqualified	11 September 2014
Maritime Authority of the Cayman Islands	29 October 2013	Unqualified	9 April 2014
National Drug Council	29 October 2013	Unqualified	
National Gallery of the Cayman Islands	31 October 2013	Qualified	30 Jan 2014
National Housing Development Trust	9 October 2014	Unqualified	27 November 2014
National Roads Authority	29 October 2013	Unqualified	27 November 2014
Port Authority of the Cayman Islands	31 October 2013	Unqualified	11 September 2014
Public Service Pensions Board	7 August 2013	Unqualified	8 December 2014
Segregated Insurance Fund	31 October 2013	Unqualified	30 Jan 2014
Sister Islands Affordable Housing Development Corporation	4 April 2014	Disclaimed	
Tourism Attractions Board	In Progress		
University College of the Cayman Islands	31 October 2013	Unqualified	
Water Authority of the Cayman Islands	30 October 2013	Qualified	26 June 2014

APPENDIX C – STATUS OF THE 2011-12 AUDITS

Table 1 - Ministry and Portfolio audits

Entity		Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Office of the Complaints Commissioner		31 October 2012	Unqualified	18 November 2013
Portfolio of Internal and External Affairs		23 September 2014	Qualified	
Cabinet Office		31 October 2012	Qualified	10 December 2012
Portfolio of the Civil Service		31 October 2012	Unqualified	10 December 2012
Portfolio of Legal Affairs		16 November 2012	Unqualified	
Judicial Administration		31 October 2012	Unqualified	
Information Commissioners Office		31 October 2012	Unqualified	18 November 2013
Director of Public Prosecution		30 January 2013	Unqualified	11 December 2013
Ministry of Health, Environment, Youth, Sports and Culture		31 October 2012	Qualified	15 March 2013
Ministry of District Administration, Works, Lands and Agriculture		12 August 2014	Disclaimed	
Ministry of Education, Training and Employment		18 February 2014	Qualified	9 April 2014
Ministry of Community Affairs, Gender and Housing		25 June 2013	Qualified	18 November 2013
Ministry of Finance, Tourism and Development	Finance and Economics	3 February 2014	Qualified	9 April 2014
	Financial Services	28 June 2013	Qualified	18 November 2013
	Tourism	29 November 2013	Adverse	24 October 2014

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cayman Airways Limited	17 May 2013	Unqualified	11 December 2013
Cayman Islands Airport Authority	29 September 2014	Qualified	
Cayman Islands Development Bank	26 June 2013	Unqualified	18 November 2013
Cayman Islands Monetary Authority	31 October 2012	Unqualified	14 March 2013
Cayman Islands National Museum	15 August 2013	Qualified	24 October 2014
Cayman National Cultural Foundation	31 October 2013	Unqualified	27 November 2014
Cayman Islands Stock Exchange	5 November 2012	Unqualified	15 March 2013
Cayman Turtle Farm (1983) Ltd.	23 October 2012	Qualified	25 March 2013
Children & Youth Services Foundation	Substantially Complete		
CINICO	7 October 2013	Unqualified	
Civil Aviation Authority	30 October 2012	Qualified	13 March 2013
Electricity Regulatory Authority	31 October 2012	Unqualified	27 November 2014
Health Services Authority	28 May 2014	Qualified	
Information and Communications Technology Authority	19 October 2012	Unqualified	27 November 2014
Maritime Authority of the Cayman Islands	31 October 2012	Unqualified	13 March 2013
National Drug Council	31 October 2012	Unqualified	
National Gallery of the Cayman Islands	31 October 2012	Qualified	13 March 2013
National Housing Development Trust	30 January 2014	Unqualified	11 September 2014
National Roads Authority	25 October 2012	Unqualified	4 Sept 2013
Port Authority of the Cayman Islands	10 December 2012	Qualified	14 March 2013
Public Service Pensions Board	9 July 2013	Qualified	
Segregated Insurance Fund	31 October 2012	Unqualified	11 December 2013
Sister Islands Affordable Housing Development Corporation	4 April 2014	Disclaimed	
Tourism Attractions Board	7 January 2014	Qualified	25 June 2014
University College of the Cayman Islands	31 October 2012	Unqualified	15 March 2013
Water Authority of the Cayman Islands	31 October 2012	Qualified	28 February 2014

APPENDIX D – STATUS OF THE 2010-11 AUDITS

Table 1 - Ministry and Portfolio audits

Entity		Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Office of the Complaints Commissioner		15 June 2012	Qualified	10 December 2012
Portfolio of Internal and External Affairs		7 May 2014	Qualified	
Cabinet Office		31 October 2011	Qualified	19 November 2012
Portfolio of the Civil Service		23 April 2012	Qualified	19 November 2012
Portfolio of Legal Affairs		16 January 2012	Unqualified	4 April 2012
Judicial Administration		23 November 2011	Qualified	4 April 2012
Information Commissioners Office		31 October 2011	Unqualified	4 April 2012
Ministry of Health, Environment, Youth, Sports and Culture		7 May 2012	Qualified	11 December 2013
Ministry of District Administration, Works, Lands and Agriculture		28 September 2012	Disclaimed	28 February 2014
Ministry of Education, Training and Employment		14 January 2013	Qualified	15 March 2013
Ministry of Community Affairs, Gender and Housing		8 May 2012	Qualified	5 November 2012
Ministry of Financial Services, Tourism and Development	Finance and Economics	8 October 2013	Qualified	28 February 2014
	Financial Services	28 June 2013	Qualified	18 November 2013
	Tourism	30 June 2013	Adverse	9 April 2014

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cayman Airways Limited	13 July 2012	Qualified	13 March 2013
Cayman Islands Airport Authority	30 July 2012	Qualified	10 Jan 2013
Cayman Islands Development Bank	28 September 2012	Unqualified	14 March 2013
Cayman Islands Monetary Authority	31 October 2011	Unqualified	4 April 2012
Cayman Islands National Museum	15 August 2013	Qualified	
Cayman National Cultural Foundation	31 October 2013	Unqualified	27 November 2014
Cayman Islands Stock Exchange	14 December 2011	Unqualified	10 December 2012
Cayman Turtle Farm (1983) Ltd.	26 October 2011	Qualified	10 January 2013
Children & Youth Services Foundation	29 October 2013	Qualified	27 November 2014
CINICO	19 June 2012	Unqualified	13 March 2013
Civil Aviation Authority	28 October 2011	Qualified	
Electricity Regulatory Authority	31 October 2011	Unqualified	27 November 2014
Health Services Authority	17 October 2012	Qualified	13 March 2013
Information and Communications Technology Authority	19 October 2011	Qualified	27 November 2014
Maritime Authority of the Cayman Islands	28 February 2012	Unqualified	13 March 2013
National Drug Council	31 October 2012	Unqualified	
National Gallery of the Cayman Islands	3 May 2012	Qualified	11 December 2013
National Housing Development Trust	28 June 2012	Unqualified	5 November 2012
National Roads Authority	24 October 2011	Qualified	31 August 2012
Port Authority of the Cayman Islands	30 July 2012	Qualified	11 December 2013
Public Service Pensions Board	28 June 2012	Qualified	
Segregated Insurance Fund	31 October 2011	Unqualified	13 March 2013
Sister Islands Affordable Housing Development Corporation	4 April 2014	Disclaimed	
Tourism Attractions Board	6 March 2013	Qualified	11 December 2013
University College of the Cayman Islands	19 October 2012	Unqualified	15 March 2013
Water Authority of the Cayman Islands	26 October 2011	Qualified	13 March 2013

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APPENDIX E - DEFINITIONS

The opinions that I can render on an entity's financial statements and their definitions are as follows:

- **Unqualified** - The information contained in the financial statements can be relied upon;
- **Qualified** - A qualified opinion means that a portion of the financial statements cannot be relied upon, but that the rest of the statements can be relied upon by the reader;
- **Adverse** - There are such significant deficiencies with the information in the financial statements they should be considered unreliable for the user and the information contained therein is not trustworthy; and
- **Disclaimer** - I was not provided with sufficient information to conduct an audit.

The definitions of the audit status are as follows:

- **Finalized** - Financial statements completed/draft opinion provided (awaiting approval by entity)
- **Substantially complete** - Financial statements submitted/audit fieldwork complete
- **In progress** - Financial statements submitted/audit in progress
- **Not commenced** - Financial statements submitted/audit not started due to clearance of backlog