



OAG Quarterly Report

31 March 2018

*To help the public
service spend wisely*

TABLE OF CONTENTS

Introduction	4
Financial Audit Practice	5
Entity audits – 2016-17 interim audits & prior years	5
Entire Public Sector (EPS) audits	6
Performance Audit Practice	7
Reports Reviewed by Public Accounts Committee	9
Operational Report	11
OAG financial performance for the period ending 31 March 2018	11
OAG strategic plan progress	12
OAG priorities for the next quarter	14
Appendix A – 2015-16 Audits	15
Appendix B – 2014-15 Audits	17
Appendix C – 2013-14 Audits	19
Appendix D – Definitions	21

INTRODUCTION

1. This report covers the period 1st January to 31st March 2018 and the focal point of the period was the 2016/17 financial audit cycle with the statutory deadline for preparers of financial statements being 28th February and our deadline of 30th April for completing the audits. All financial statements, bar one set, were received by us on or before the statutory deadline.
2. In keeping with our goal of “leading by example” and OAG’s own Annual Report and Financial Statements for 2016/17 were completed early with an unqualified audit opinion being given by our external auditors, Baker Tilly, on 29th March 2018. They had no issues to raise.
3. The Public Accounts Committee (PAC) was very active during the period with a witness hearing into our follow up report on Major Capital Projects, a certificate ceremony for the 30 public sector entities that received an unqualified audit opinion in 2015-16 and witness sessions for the Entire Public Sector account and five entities receiving qualified audit opinions in 2015-16.
4. A performance audit report entitled “Government’s Use of Consultants and Temporary Staff” was published during the quarter.
5. During this three month period, the final entity audit for 2013-14 (Ministry of Education, Employment & Gender Affairs) was signed off with a qualified opinion as was the Cabinet Office’s 2015-16 financial statements with an unqualified audit opinion. Work on the audit backlog lessened during the period and stopped altogether in early March as the 2016/17 audits took priority.
6. Details of other activity undertaken and achievements during this period are given throughout the report.
7. As Auditor General, I am committed to continuing the practice of providing the PAC with regular updates on the Office’s operations to suit the PAC needs. We currently report to PAC quarterly and subsequently make these reports available on our website.

FINANCIAL AUDIT PRACTICE

ENTITY AUDITS – 2016-17 INTERIM AUDITS & PRIOR YEARS

8. By the end of March 2018, there were no longer any 2013-14 backlogged entity audits with the final one for the Ministry of Education, Employment and Gender Affairs (MEEGA) being signed off with a qualified opinion on 2nd March 2018. There remains two entity audits outstanding from 2014-15 (MEEGA and the Airports Authority (CIAA)) and five from 2015-16 (MEEGA, CIAA, Ministry of Health, CINICO & Tourism Attractions Board).
9. With Cabinet Office 2015-16 and MEEGA 2013-14 being signed off on 28 February and 2 March respectively, the Office ended its focus on the backlog audits to fully focus on the 2016-17 audit cycle. The remaining backlogged audits will be resumed in early May and a detailed plan has been developed and agreed with both the Ministry of Education and CIAA so that their outstanding audits (which will by then include 2016-17 as well) are concluded by November. It should prove possible to clear the entities with just 2015-16 and 2016-17 audits outstanding by the early Autumn.
10. During the quarter, work continued on 2016-17 interim audits for larger Government entities and from March on the final financial audits. All annual reports and financial statements of Government entities were received by the 28th February statutory deadline with just one exception, the Cayman Islands Stock Exchange, which submitted late on 23rd March 2018.
11. Exhibit 1 provides a high level summary of the current state of audit completion and tabling of annual reports in the Legislative Assembly.

Exhibit 1 – Current and prior year audits

Year	Number of Entity Audits	Audits Completed	Audits Outstanding	Annual Reports / Financial Statements Tabled
2015-16	42	37	5	30
2014-15	42	40	2	30
2013-14	42	42	0	35
2012-13	43	43	0	35
2011-12	41	41	0	37

12. A more detailed update on the progress on individual audits is contained in Appendices A through C on pages 15-20 with a definition of audit terms given at page 21 in Appendix D.

ENTIRE PUBLIC SECTOR (EPS) AUDITS

13. The audit of the 2015-16 EPS account was signed off on 19th October 2017. The OAG's General Report relating to our financial audit work undertaken on the various entities and the 2015-16 EPS financial statements was published in December 2017 and was entitled "Financial Reporting of the Cayman Islands Government: General Report 30 June 2015 & 2016". This report covered the issues arising from the financial reporting of all ministries, portfolios, offices, statutory authorities and government companies as well as the entire public sector accounts. It brought out the key themes and actions that would improve further financial management and financial reporting in the Cayman Islands public sector.
14. The PAC considered this report on 12th December 2017 and held several witness sessions as a consequence beginning with a certificate awarding ceremony on 24th January 2018 for the 30 entities receiving an unqualified audit opinion on their 2015-16 financial statements. Then between 21st and 23rd February witness sessions were held firstly for the 2015-16 EPS where an adverse opinion was given and then for five of the entities that received qualified audit opinions in 2015-16.

Exhibit 2 – EPS audit progress

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

PERFORMANCE AUDIT PRACTICE

15. A performance audit report entitled “Government’s use of consultants and temporary staff” was completed during this quarter. This report was put before the PAC at an administrative meeting on 9th March 2018 and formally published shortly thereafter. Witness sessions on this report are scheduled for early May 2018.
16. During this quarter, work came close to completion on the Government’s workforce and continued on fighting corruption and customs and recommenced on the Owen Roberts International Airport (ORIA) redevelopment project. Detail of the position on the current performance audit work programme is given in Exhibit 3.
17. The performance audit programme for the period 2018 to 2022 was developed before year end and in January, we consulted with the PAC, Chief Officer group and the public on its content. We received comments and additional ideas from the PAC, the Chamber of Commerce and members of the public including efficiency of the judicial system, looking at Government’s awarding of grants, the use of the environmental protection fund and auditing for climate change impacts. The programme was drawn together based on Government’s seven expressed policy priorities, past audit coverage and our perception of key risks. The programme is now finalized and will be published on our website shortly. The programme will remain open to change as risks and priorities change over time.
18. The Director of Performance Audit has been continuing to develop the OAG staff on performance audit techniques so that we can reduce our reliance on consultants for this work over time. This has mainly been through engaging staff in on-the-job training while undertaking performance audit work. Additionally, there were several focused sessions on performance audit techniques during the OAG staff retreat in late January.

Exhibit 3 – Performance Audit work programme - progress as at 31 March 2018

Report	Summary	Progress
Workforce management	The audit will review the Cayman Islands Government’s approach to planning and managing its workforce.	Substantially Complete. Report to PAC in Q2 2018
Progress update on the ORIA Project	ORIA was a case study in our 2017 Major Capital Project audit and following a PAC request, we are updating this work to take account of recent activity and will publish a separate report.	In progress. Report to PAC in Q2 or Q3 2018
Follow up on past PAC recommendations	2018 annual follow up report on progress made against PAC recommendations	Planning stage. Report to PAC in Q3 2018
Customs	The audit will review the services provided by HM Customs in the Cayman Islands and determine how efficiently and effectively these are delivered.	Planning stage. Indicative dates: Report to PAC in Q4 2018
Preventing 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 undertaking this audit while participating in the related INTOSAI learning programme.	Fieldwork stage. Indicative date: Report to PAC in Q4 2018

REPORTS REVIEWED BY PUBLIC ACCOUNTS COMMITTEE (PAC)

19. During the quarter, the PAC met seven times of which two were administrative meetings, one was a certificate awarding ceremony and the others were witness sessions or hearings.
20. Along with scheduling witness sessions and other administrative matters, the first administrative meetings of the PAC on 8th January, saw the Committee consulted on the OAG draft performance audit programme for the period 2018-2022.
21. The first witness session of the period was on 24th January where the PAC had a certificate awarding ceremony for the Chief Officers and Chief Executives of the 30 public sector entities that received unqualified audit opinions on their 2015-16 financial statements. The following day the PAC heard from witnesses in respect of OAG's follow up report on Major Capital Projects published in October 2017.



22. On the 21st to 23rd February 2018, the PAC held witness sessions for the adverse audit opinion on the Government's Entire Public Sector account and for Judicial Administration, the National Museum, Cayman National Cultural Foundation, National Gallery and the Maritime Authority who all received audit qualifications on their 2015-16 financial statements. A witness session on the HSA, who also received a qualified opinion being held previously on 10th October 2017.

23. At its final administrative meeting of the quarter, the PAC received the performance audit report on Government's use of consultant and temporary staff and determined to hold witness sessions on this on 2nd and 3rd May 2018 as well as a hearing on 3rd May on the Fire Service and 4th May on ICTA/OfReg.

OPERATIONAL REPORT

OAG FINANCIAL PERFORMANCE FOR THE PERIOD ENDING 31 MARCH 2018

24. During the quarter, OAG’s financial statements for 2016/17 and its annual report were completed as well as the audit of these by external audit firm, Baker Tilly. These will be placed on the OAG’s website once they are tabled in the Legislative Assembly. These were signed off on 29th March 2018 and OAG received an unqualified audit opinion and no issues were raised in the report from the auditor to those charged with governance.
25. Exhibit 4 provides details of the financial performance for the first quarter of 2018. We have achieved a \$162k surplus in the first 3 months, which is better than we anticipated. At this early stage in the year, the Office forecasts a moderate surplus at year end.

Exhibit 4 –Statement of Financial Performance for the period ending 31 March 2018

	2018 Actuals (3 months) \$	2018 Budget (3 months) \$	2018 Variance \$
REVENUE			
Audit services provided to PAC	240,619	125,000	115,619
Audit services provided to govt. agencies	545,148	669,000	(123,852)
TOTAL OPERATING REVENUE	785,767	794,000	(8,233)
EXPENSES:			
Personnel costs	537,996	540,029	(2,033)
Operating expenses	81,445	124,455	(43,010)
Depreciation	3,817	4,891	(1,074)
TOTAL EXPENSES	623,258	669,375	(46,117)
NET SURPLUS	162,509	124,625	37,884

OAG STRATEGIC PLAN PROGRESS

26. The Office's strategic plan for 2015-2019 is available on our website and the Office continues to make good progress against its priorities. After the financial audit peak, the Office will work on updating its strategic plan to reflect current priorities and needs especially improvements identified through the Supreme Audit Institutions (SAI) Performance Measurement Framework (PMF) review which is near completion and we will also review our resourcing model. This may well impact our in-house staffing mix and our decisions about what package of audits to contract out to the private sector firms in mid-2018 when we are due to re-tender this work.
27. Between 23rd and 26th January, staff were involved in the annual OAG retreat held at the George Town Library and Prospect Youth Centre where the whole office spent time developing their professional and personal skills and planning for the 2016-17 financial audit peak. The image below is of one team undertaking a team building exercise.



28. Staff in the Office participated in several training events and audit conferences during this period:
- Winston Sobers and I attended the CCOLA annual financial audit symposium in Toronto from 29th to 31st January 2018 which provided updates on accounting and auditing standards and their application.
 - The Director of Financial Audit, Patrick Smith went to Norway from 5th to 9th March to represent CAROSAI (Caribbean SAIs) in the IDI's strategic workshop on developing SAI auditor competencies and, in time, a professional certification programme for auditors against these competencies. This trip was funded by the IDI.
 - Ruel Huet undertook the ACFE on-line Fighting Fraud in Government work programme.

- All staff attended briefings on the new Public Authorities Law in February and new Procurement Law in March.

29. Adrian Murenzi, Gabriel Ncube and Zenobia Badley succeeded in passing their IPSAS qualification and Sasha Rochester also became a Certified Fraud Examiner in the period.

30. Several OAG staff participated in the CIG pedometer challenge with the OAG team achieving third place in the small team category and Audit Project Leader, Ruel Huet, pictured below winning the trophy for the first placed male with 1,744,679 steps recorded.



31. There were no staffing changes during the quarter. However, for the first time the Office recruited two professional trainee auditors during this period. Brittany Bodden and Erin McLean start in these positions on 16th April and 14th May respectively and will both be supported in studying for their CPA qualification.

OAG PRIORITIES FOR THE NEXT QUARTER

32. The priorities for the Office for next period are to:

- a) undertake the financial audits for 2016-17 for public sector entities
- b) support the PAC with its scheduled witness hearings and provide them with the performance audit report on Government's workforce
- c) conclude the write up of the self-assessment of the OAG using the SAI PMF tool and send it for international quality review by the IDI; and
- d) use this assessment to start reviewing and updating the OAG strategic plan for the next five year period.



Sue Winspear, CPFA

24th April 2018

*Auditor General
George Town, Grand Cayman
Cayman Islands*

APPENDIX A – 2015-16 AUDITS

Table 1 - Ministry, Portfolio, and Office audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	28 February 2018	Unqualified	
Director of Public Prosecution	31 October 2016	Unqualified	27 March 2017
Information Commissioner's Office	31 October 2016	Unqualified	22 March 2017
Judicial Administration	31 October 2016	Qualified	27 March 2017
Ministry of Community Affairs, Youth & Sports	15 September 2017	Unqualified	14 March 2018
Ministry of District Admin, Tourism & Transport	18 November 2016	Unqualified	27 March 2017
Ministry of Education, Employment and Gender Affairs	In Progress		
Ministry of Finance and Economic Development	25 October 2016	Unqualified	15 March 2017
Ministry of Home Affairs	31 October 2016	Unqualified	24 February 2017
Ministry of Financial Services, Commerce and Environment	31 October 2016	Unqualified	24 February 2017
Ministry of Health and Culture	Substantially Complete		
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	31 October 2016	Unqualified	15 March 2017
Office of the Complaints Commissioner	31 October 2016	Unqualified	22 March 2017
Portfolio of the Civil Service	31 October 2016	Unqualified	16 March 2018
Portfolio of Legal Affairs	31 October 2016	Unqualified	27 March 2017

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	21 October 2016	Unqualified	24 February 2017
Cayman Airways Ltd.	24 February 2017	Unqualified	14 March 2018
Cayman Islands Airports Authority	In Progress		
Cayman Islands Development Bank	26 October 2016	Unqualified	22 February 2017
Cayman Islands Monetary Authority	20 December 2016	Unqualified	1 November 2017
Cayman Islands National Insurance Company	In Progress		
Cayman Islands National Museum	26 October 2016	Qualified	23 August 2017
Cayman Islands Stock Exchange	28 October 2016	Unqualified	24 February 2017
Cayman National Cultural Foundation	31 October 2016	Qualified	
Cayman Turtle Farm (1983) Ltd.	28 October 2016	Unqualified	22 February 2017
Cays Foundation	26 October 2016	Unqualified	22 February 2017
Civil Aviation Authority	31 October 2016	Unqualified	24 February 2017
Electricity Regulatory Authority	27 October 2016	Unqualified	22 February 2017
Health Services Authority	13 April 2017	Qualified	23 August 2017
Information and Communications Technology Authority	31 October 2016	Unqualified	
Maritime Authority of the Cayman Islands	31 October 2016	Qualified	24 February 2017
National Drug Council	21 October 2016	Unqualified	
National Gallery of the Cayman Islands	28 October 2016	Qualified	23 August 2017
National Housing and Development Trust	24 October 2017	Unqualified	
National Roads Authority	26 May 2017	Unqualified	14 March 2018
Port Authority of the Cayman Islands	15 September 2017	Unqualified	
Public Service Pensions Board	28 October 2016	Unqualified	15 March 2017
Sister Islands Affordable Housing	31 October 2016	Unqualified	27 March 2017
Segregated Insurance Fund	26 October 2016	Unqualified	22 February 2017
Tourism Attractions Board	Substantially Complete		
University College of the Cayman Islands	26 October 2016	Unqualified	
Water Authority	31 October 2016	Unqualified	14 March 2018

APPENDIX B – 2014-15 AUDITS

Table 1 - Ministry, Portfolio, and Office audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	23 March 2017	Unqualified	
Director of Public Prosecution	30 October 2015	Unqualified	5 October 2016
Information Commissioner's Office	30 October 2015	Unqualified	18 November 2015
Judicial Administration	30 October 2015	Qualified	7 October 2016
Ministry of Community Affairs, Youth & Sports	30 September 2016	Unqualified	24 February 2017
Ministry of District Admin, Tourism & Transport	31 October 2015	Qualified	27 April 2016
Ministry of Education, Employment and Gender Affairs	In Progress		
Ministry of Finance and Economic Development	29 October 2015	Unqualified	5 October 2016
Ministry of Home Affairs	31 October 2015	Unqualified	1 June 2016
Ministry of Financial Services, Commerce and Environment	30 October 2015	Unqualified	5 October 2016
Ministry of Health and Culture	25 September 2017	Unqualified	
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	20 October 2016	Unqualified	15 March 2017
Office of the Complaints Commissioner	30 October 2015	Unqualified	5 October 2016
Portfolio of the Civil Service	30 November 2015	Unqualified	20 October 2016
Portfolio of Legal Affairs	30 October 2015	Unqualified	5 October 2016

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	30 October 2015	Unqualified	4 May 2016
Cayman Airways Ltd.	18 March 2016	Unqualified	7 October 2016
Cayman Islands Airports Authority	Substantially Complete		
Cayman Islands Development Bank	30 October 2015	Unqualified	5 October 2016
Cayman Islands Monetary Authority	31 March 2016	Unqualified	24 February 2017
Cayman Islands National Insurance Company	8 December 2017	Unqualified	
Cayman Islands National Museum	17 December 2015	Qualified	1 June 2016
Cayman Islands Stock Exchange	30 October 2015	Unqualified	5 October 2016
Cayman National Cultural Foundation	30 October 2015	Unqualified	15 March 2017
Cayman Turtle Farm	30 October 2015	Unqualified	
Cays Foundation	28 October 2015	Qualified	27 April 2016
Civil Aviation Authority	30 October 2015	Unqualified	27 April 2016
Electricity Regulatory Authority	13 October 2015	Unqualified	27 April 2016
Health Services Authority	7 September 2016	Qualified	22 February 2017
Information and Communications Technology	31 October 2015	Unqualified	5 October 2016
Maritime Authority of the Cayman Islands	28 October 2015	Qualified	27 April 2016
National Drug Council	30 October 2015	Unqualified	
National Gallery of the Cayman Islands	26 October 2015	Qualified	
National Housing and Development Trust	16 December 2016	Unqualified	
National Roads Authority	13 December 2016	Qualified	14 March 2018
Port Authority of the Cayman Islands	7 October 2016	Unqualified	22 February 2017
Public Service Pensions Board	29 October 2015	Unqualified	6 May 2016
Sister Islands Affordable Housing	26 January 2016	Unqualified	
Segregated Insurance Fund	13 April 2016	Unqualified	22 February 2017
Tourism Attractions Board	21 November 2017	Unqualified	
University College of the Cayman Islands	24 August 2016	Unqualified	
Water Authority	29 October 2015	Unqualified	5 October 2016

APPENDIX C – 2013-14 AUDITS

Table 1 – Ministry, Portfolio and Office audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office	1 May 2015	Qualified	13 August 2015
Director of Public Prosecutions	31 October 2014	Unqualified	20 May 2015
Information Commissioners Office	31 October 2014	Unqualified	
Judicial Administration	31 October 2014	Qualified	15 April 2015
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	2 March 2018	Qualified	
Ministry of Finance and Economic Development	25 May 2015	Qualified	13 August 2015
Office of the Complaints Commissioner	31 October 2014	Unqualified	12 August 2015
Portfolio of the Civil Service	31 October 2014	Unqualified	27 November 2014
Portfolio of Legal Affairs	31 October 2014	Qualified	17 April 2015
Ministry of Financial Services, Commerce and Environment	13 July 2015	Unqualified	19 October 2015
Ministry of Health, Youth, Sports and Culture	25 September 2017	Unqualified	
Ministry of Home Affairs	30 June 2015	Qualified	18 October 2015
Ministry of Planning, Lands, Agriculture, Housing and Infrastructure	10 August 2015	Qualified	18 October 2015

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	15 April 2015
Cayman Airways Limited	15 May 2015	Unqualified	18 October 2015
Cayman Islands Airport Authority	20 December 2017	Unqualified	
Cayman Islands Development Bank	22 April 2015	Unqualified	18 November 2015
Cayman Islands Monetary Authority	31 October 2014	Unqualified	15 April 2015
Cayman Islands National Insurance Company	7 October 2016	Unqualified	15 March 2017
Cayman Islands National Museum	26 June 2015	Qualified	18 October 2015
Cayman Islands Stock Exchange	17 October 2014	Unqualified	19 October 2015
Cayman National Cultural Foundation	31 October 2014	Unqualified	15 April 2015
Cayman Turtle Farm (1983) Ltd.	29 October 2014	Qualified	12 August 2015
Children & Youth Services Foundation	20 May 2015	Qualified	18 October 2015
Civil Aviation Authority	6 November 2014	Qualified	15 April 2015
Electricity Regulatory Authority	31 October 2014	Unqualified	19 June 2015
Health Services Authority	21 December 2015	Qualified	5 October 2016
Information and Communications Technology Authority	31 October 2014	Unqualified	19 June 2015
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	30 April 2015	Unqualified	12 August 2015
National Roads Authority	30 October 2014	Unqualified	19 June 2015
Port Authority of the Cayman Islands	31 October 2014	Qualified	12 August 2015
Public Service Pensions Board	31 October 2014	Unqualified	8 December 2014
Segregated Insurance Fund	9 June 2015	Unqualified	18 October 2015
Sister Islands Affordable Housing Development Corporation	1 June 2015	Unqualified	18 October 2015
Tourism Attraction Board	25 May 2017	Qualified	2 November 2017
University College of the Cayman Islands	30 October 2014	Unqualified	
Water Authority of the Cayman Islands	31 October 2014	Unqualified	18 October 2015

APPENDIX D – 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 operational matters