

Annual Report - 31 December 2019
Providing Value to the People of the Cayman Islands





To help the public
service spend wisely



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FOREWORD BY THE AUDITOR GENERAL

Providing Value to the People of the Cayman Islands

I am delighted to present the Annual Report of the Office of the Auditor General (“Office” or “OAG”) of the Cayman Islands for the year ending 31 December 2019 in accordance with Section 69 of the *Public Management and Finance Law (2018 Revision)*.

Our new strategic plan for the period 2019 to 2023 includes four objectives for the Office:

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

This new five-year strategy builds on the growing maturity of our Office and of the Government in its financial management and reporting. Our aim is to be recognised as one of the leading small audit offices in the world, and 2019 saw our reputation continue to grow within Cayman, the wider Caribbean region and internationally.

In Cayman, 2019 was another year of improvement in public service financial management and reporting, with no entities to date having received a qualification on their



2018 financial statements. Our performance and financial audit work continued to contribute to the many improvements in the public service. For example, 2019 saw the introduction of a core Government Audit and Risk Assurance Committee and the early development of a core risk management framework, both of which should help the Government’s management of risk and governance and result in better value for money from Government spending going forward.

Regionally, we continue to fully participate in the organisation of Caribbean Auditors General, known as CAROSAI, with my service on the Executive Committee and our Office’s support of the development of audit practice across the region - in particular, through active support to Montserrat and Turks and Caicos, where one of my staff, Sandra Malcolm-Stephens, secured the position of Auditor General during 2019 after 15 years of service to the Office.

On the global public sector audit stage, I continued to represent CAROSAI on INTOSAI's capacity building committee and by serving on a task group working on the public sector auditor competency framework. Patrick Smith represented CAROSAI on INTOSAI's Professional Standards Committee and served on the international group working on the specific financial audit competencies; Angela Cullen supported some European audit offices with the roll out of the global strategy, planning and performance measurement framework.



Sue Winspear, Auditor General and other UK Overseas Territories' Auditors General

This annual report completes the accountability cycle to legislators and the public and provides information on 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 that public funds are managed in a transparent and accountable way.

I want to give a special thank you to Deputy Auditor General Garnet Harrison who left the OAG at the end of May 2019 after 18 years of dedicated and diligent service to return to Canada and take up a position in the private sector. Much of the development of this Office over recent times has been down to his hard work, dedication and considerable skills. As a result of Garnet's departure, I have restructured the Office's Corporate Management Team from five posts to four posts. Patrick Smith and Angela Cullen have been re-designated as Deputy Auditors General for Financial Audit and Performance Audit respectively and the three of us have taken on more corporate responsibilities. Katrina Thomas has also taken on more personal responsibility and has been re-designated as our Corporate Services Manager following Garnet's departure.



Garnet Harrison's leaving presentation at Government House

As ever, 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.



I also wish to thank our appointed auditors (KPMG, Grant, Thornton, Eisner Amper and PwC) that we use for several financial audits and the UK National Audit Office and Audit Scotland for each providing us with a secondee to support our work during 2019. Each contribute to our overall success and we are grateful to all of them for their ongoing support.

Finally, 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.

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

ABOUT THE OAG

PUBLIC SECTOR AUDIT

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

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

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

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

The Cayman Islands Constitution

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

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

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

The work and reports of the Office promotes confidence in the Government. Legislators and the public are provided with critical information on whether the Government has reliable plans, financial reports and performance information and whether it uses effective processes to safeguard the resources with which it is entrusted, including compliance with laws, regulations and other relevant authorities.

The Office also does the following:

- supports the PAC in carrying out its mandate;
- makes recommendations for improvement in the Government's management of public resources and public services;
- encourages discussion and debate about public sector management and accountability issues;
- provides advice to government committees;
- encourages professionalism in the public service;
- develops marketable professionals for the public sector and more widely;
- adheres to the professional assurance standards as published by the International Audit and Assurance Standards Boards and the International Organisation of Supreme Audit Institutions (INTOSAI);
- plays an active role in the Caribbean region by being on the Executive Committee of Caribbean Organisation of Supreme Audit Institutions (CAROSAI); and
- plays an active role in the global public service audit field through serving on two of the INTOSAI committees, one of which leads the development of global auditing standards while the other builds global audit capacity.

The work and reports of the Office contribute 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.

OUR STRATEGY

In March 2019 the Office launched its new five-year strategic plan for 2019 - 2023, which includes the following four strategic objectives:

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

Exhibit 1 provides more detail on each of the strategic objectives.

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

We have already started to implement some elements of the new strategy. For example, we have further reduced the backlog of financial

audits of entities during the year from six to four (see pages 8 and 9 for more detail). Focusing on our new strategic objective of continuously developing our people has further increased staff satisfaction in relation to learning and development and their relationship with their manager (see page 19 for more information on the 2019 employee engagement results).

We have also continued to develop our other corporate planning, including operational and resource planning, to support the strategic planning.

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

Exhibit 1 – OAG Strategic Objectives

<p>1. Strengthening Public Services</p> <p>We will help strengthen accountability, transparency, and the delivery of services in the public sector.</p> <p>As the auditor of government spending, our work gives us direct insight into how the public sector is operating and changing. As well as having direct interaction with every public entity each year, we also have an independent reporting role enshrined in legislation. We provide a credible, reliable and evidence-based source of information to government, legislators and society and can contribute to strengthening the public sector through our audits, by using our powers of reporting, and our interaction within and outside the public sector, on matters such as governance, accountability, financial sustainability and the efficient, effective and economic use of resources.</p>	<p>2. Demonstrating Relevance</p> <p>In our work we will demonstrate our relevance by taking into account the views of our external stakeholders, including those who use public services, and ensure that we are focusing on the areas most relevant to them.</p> <p>We place great importance on relationships with all of our stakeholders: the Legislative Assembly and particularly the PAC, elected and appointed officials, public entities, professional organisations, and all people of the Cayman Islands.</p> <p>We want to be responsive to the challenges faced by the public, the expectations of different stakeholders, and the emerging risks and changes in the environment in which we conduct our work. It is also important that we continue to have a dialogue with stakeholders about how our work can facilitate improvement in the public sector.</p>
<p>3. Leading by Example</p> <p>We will be agile, adapt to change and lead by example as individuals and as an organisation.</p> <p>Staying the same or standing still is not an option for our Office. In our fast changing and evolving environment, auditing and the role of the auditor will continue to develop and change. International trends, such as rapid changes in technology, are also changing expectations among end users of audit and assurance information. Our ability to develop, adapt and be flexible is important to ensuring that we remain relevant and that we can remain a model organization, leading by example locally, regionally and internationally.</p>	<p>4. Developing our People</p> <p>We will continuously invest in OAG staff through targeted professional development, coaching, mentoring, and offering an appropriate reward package (recognising our constraints as part of the civil service).</p> <p>To effectively deliver on our mandate, it is essential that the Office have a motivated, skilled and high-performing workforce that can effectively meet the challenges demanded by our diverse range of work.</p> <p>To meet our profession’s requirements, we are also obligated to ensure that our staff maintain and enhance certain professional skills, knowledge and capacity to carry out their duties.</p> <p>We will focus on enriching jobs, developing skills and capacity, and creating opportunities for career progression within or outside of the OAG.</p> <p>We will actively work to increase the number of Caymanians in our Office through offering professional training opportunities to build a pipeline of qualified auditors for the future.</p>

OUR WORK

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

FINANCIAL AUDIT

Our financial audit work helps the Legislative Assembly hold organisations to account for over \$905 million of annual expenditures, over \$2.9 billion in total assets and over \$1.5 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, and whether assets have been safeguarded and liabilities are fully recognised.

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

In 2019, we completed the 2018 financial statements audits of 36 individual entities. We also completed five audits from prior years, reducing the backlog of audited financial statements and annual reports to be tabled in the Legislative Assembly. As at 31 December 2019 there were seven financial statements audits outstanding (31 December 2018: 8). The prolonged delays in

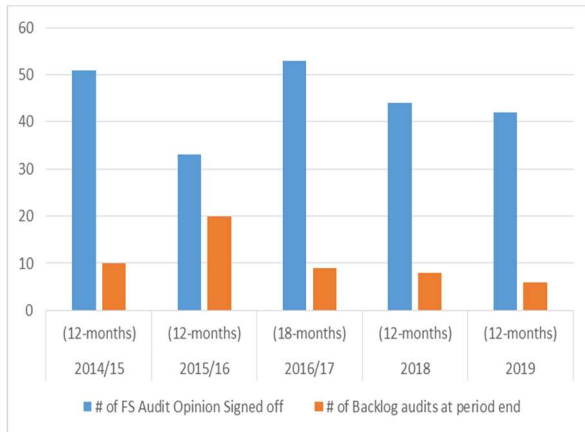
completing the financial statements audits were a result of a variety of client-related issues.

ENTITY FINANCIAL STATEMENTS

During 2019 we worked cooperatively with Government to try and clear the backlog of audits and also ensure that the 2018 financial statement audits were carried out in a timely manner. The Deputy Governor and our Office also maintained pressure on entities and their senior management to ensure their concerted effort to complete all outstanding financial statements by 31 December 2019. However, this target was not quite achieved. Financial statements of CIAA and Ministry of Health for 2016-17 (18-month period) remained to be completed. For 2018, four entities' financial statement audits had yet to be completed at the year-end: Ministry of Health, CIAA, Cayman Airways Limited and the Turtle Centre.

We issued a total of 41 audit opinions on financial statements of individual entities during 2019 (2018: 44). Of these, 36 were for the most recent year (2018: 38). In Exhibit 2 below we show the trend in the number of financial statement audit opinions we have signed off for each financial period.

Exhibit 2 - Number of financial statements audit opinions signed during the period and number of backlogged audits at period end



As Exhibit 3 demonstrates, there is still a way to go to achieve a position where all the financial statements audits are completed within the statutory timetable and the entities' Annual Reports are made public in a timely manner.

Exhibit 3 – Current and prior year audits

Year	Number of Entity Audits	Audits Completed	Audits Outstanding	Annual Reports / Financial Statements Tabled
2018	40	36	4	16
2016-17	44	42	2	25
2015-16	42	42	0	36
2014-15	42	42	0	33
2013-14	42	42	0	37

ENTIRE PUBLIC SECTOR (EPS) FINANCIAL STATEMENTS

These statements comprise all the executive expenditures of Government, which include transfer payments, executive expenses and loan transactions that 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).

The audit of the EPS financial statements for the 18-month period to 31 December 2017 was completed during 2019. However, the audit of the 2018 EPS financial statements had yet to start due to the backlog of some of the entity

audits and the client's wish to update the initial submission received.

Exhibit 4 below outlines the progress made in the EPS financial statements over the years; the audit opinion moved from a disclaimed opinion to an adverse opinion in 2012-13. Also, the EPS financial statements are starting to be signed off in a timelier manner and tabled in the Legislative Assembly.

Exhibit 4 – EPS audit progress

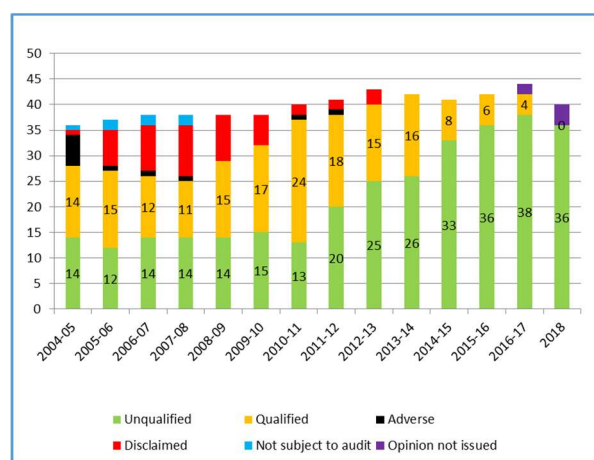
Year	Date audit completed or progress	Audit opinion	Tabled in the Legislative Assembly
2018	In planning		
2016-17	9 September 2019	Adverse	
2015-16	19 October 2017	Adverse	16 March 2018
2014-15	7 December 2016	Adverse	27 March 2017
2013-14	30 September 2015	Adverse	24 June 2016
2012-13	1 June 2015	Disclaimed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

IMPACT OF OUR FINANCIAL STATEMENTS WORK

Our work is having an impact: the timeliness and quality of financial reporting are improving, as can be seen in Exhibit 5. 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.

Exhibit 5 - Quality of all entity financial statements



AUDITING STANDARDS AND ETHICS

We conduct our financial audit work in accordance with International Standards on Auditing (ISAs), also paying regard to

International Standards of Supreme Audit Institutions (ISSAIs). The audits are delivered by staff who are qualified members of professional accountancy bodies or working under a qualified member. During the year, sixteen financial statement audits were conducted by local audit firms on behalf of the Office of the Auditor General for the 2018 financial year. See Appendix 1 for a listing of who conducted these audits.

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

PERFORMANCE AUDIT

A fundamental part of our remit is to conduct audits of 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 INTOSAI. Individual performance audits are based on a planned and published programme of work. The latest performance audit work programme was refreshed in July 2019 and can be found on our website ([Performance Audit Programme 2019-2023](#)).

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. In this step, 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 2019 we issued five reports (four performance audit reports and one public interest report):

- Key Management and Board Remuneration in Statutory Authorities and Government Companies during 2016-17 – Public Interest Report (January 2019)
- Customs in the Cayman Islands (May 2019);
- Government’s use of Outsourced Services (June 2019);
- School Education (October 2019); and
- Efficiency of Summary Courts (November 2019).

As at 31 December 2019, work was underway on two additional performance audits. These were:

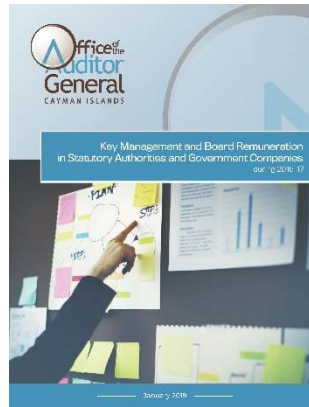
- Improving Financial Accountability and Transparency; and
- Efficiency and Effectiveness of OfReg.

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

IMPACT OF OUR PERFORMANCE AUDIT WORK

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

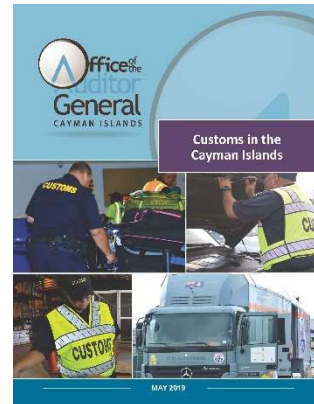
Our public interest report *Key Management and Board Remuneration in Statutory Authorities and Government Companies during 2016-17*



highlighted that 24 SAGCs paid \$249 million to their 2,473 staff in the 18-month period to 31 December 2017. Over the same period, the SAGCs paid around \$23.5 million to 154

key management personnel and compensated 99 board members, who were paid a total of around \$788,000.

Our report *Customs in the Cayman Islands* received significant media coverage. The report

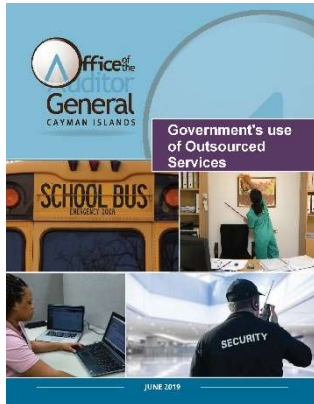


identified a number of issues and recommendations for the newly formed Customs and Border Control, such as the development of a strategic plan and performance measures.

The report also identified a number of issues and areas for improvement in relation to the Ministry of Finance and Economic Development’s approach to budgeting for revenues, managing concessions, and understanding the ‘tax gap’ in the Cayman Islands. The Government accepted all of the recommendations we made in relation to these issues.

The PAC held witness hearings on this report in October 2019, which further helped to inform the debate.

Our report *Government's use of Outsourced Services* helped to raise awareness of how

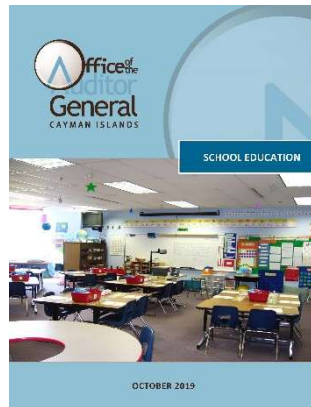


effectively Government procures outsourced services to ensure that it receives value for money; and how well it manages the suppliers. The report highlighted a number of issues and areas for

improvement in relation to the procurement and management of outsourced services. For example, we identified that the Government could make much better use of its collective buying power, while contributing to other policy objectives such as supporting small and medium-sized companies. The Government agreed to look at options for better procurement of services across government.

The PAC held witness hearings on this report in October 2019 and investigated some of the procurement issues and progress to date in implementing recommendations. It also drew attention to some of the good practices being used by the Ministry of Education, Youth, Sports, Agriculture and Lands that were highlighted in the report.

Our report *School Education*, was the first review of the public sector education system in the Cayman Islands. Some of the positives

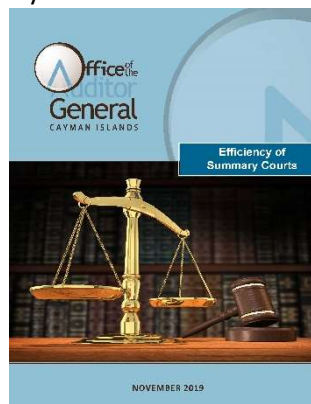


highlighted in the report included the clear priority given to education by Government and the improvement in student achievement over the five years to 2018.

However, the report also identified a number of issues and areas for improvement, including the need for a long-term strategic plan for education and a better focus on outcomes.

The Government accepted the recommendations made in the report; the PAC has scheduled witness hearings on the report for early 2020, when it plans to follow up on progress in implementing the recommendations.

Our report *Efficiency of Summary Courts*, was the first review of the Cayman Islands courts system.



The report highlighted a number of issues and areas for improvement in the management of Judicial Administration and the courts system.

For example, the report found that there was limited performance information and that the total cost of processing cases through the

courts was not known. Together, these made it difficult to determine the efficiency and effectiveness of Judicial Administration.

The PAC plans to hold a witness hearing on the report in early 2020.

SUPPORT AND ASSISTANCE TO THE PAC AND THE LEGISLATIVE ASSEMBLY

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

During 2019 the PAC was under the Chairmanship of the Hon. Ezzard Miller; the rest of the committee members were: Ms. Barbara Conolly and Messrs. Bernie Bush, Austin Harris, and Chris Saunders.

During 2019 the PAC held seven administrative meetings and seven days of public hearings on four of our reports, to discuss and gather further evidence before preparing its own reports to the Legislative Assembly. Members of our Office were in attendance at all of those meetings.

The PAC received one general report by our Office *Financial Reporting of the Cayman Islands Government – General Report 31 December 2017* (issued to the Legislative Assembly in June 2019). The report covered the financial statements audits of all 44 public sector entities for the 18-month period to 31 December 2017.

During 2019 the PAC also started considering reports to those charged with governance (ISA 260 reports) upon the conclusion of financial statements audits.

The PAC received five performance audit reports during 2019 (see above and Appendix 2

for detailed information on the reports) and held public witness hearings on two of those reports. It also held witness hearings on two reports from 2018. The public hearings covered the following reports:

- *Follow-up on past PAC Recommendations* (issued October 2018); - two hearings in January 2019.
- *Fighting Corruption in the Cayman Islands* (issued November 2018); - three hearings in January and March 2019.
- *Customs in the Cayman Islands*; - one hearing in October 2019.
- *Government's use of Outsourced Services*; - one hearing in October 2019.

The PAC continued to delay any public hearings on the report *Owen Roberts International Airport (ORIA) Terminal Redevelopment Project: Progress update as at 30 August 2018*, due to the commercial sensitivities within the report at the time and the fact that the final costs of the project were not known by the end of 2019.

On 10 April 2019, the PAC tabled three of its own reports in the Legislative Assembly on the witness hearings held in 2018 and 2019, on:

- *Follow-up on past PAC Recommendations October 2018*;
- *Workforce Planning and Management in the Cayman Islands Government*; and
- *Ministry of Finance and Economic Development 31 December 2017 Financial Statements*.

On 13 November 2019, the PAC tabled one of its own reports in the Legislative Assembly on the witness hearings held in 2019 on:

- *Fighting Corruption in the Cayman Islands*.

COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

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

During 2019 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 following:

- The 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 with several CEOs/Managing Directors of the SAGCs.
- The Auditor General and the Director of Performance Audit also met with many of the Chief Officers and CEOs/Managing Directors to discuss issues and risks helping to inform our Rolling Performance Audit Programme.
- The Director of Financial Audit and his team also met with the Financial Secretary, Board members and other key stakeholders throughout Government to apprise them of financial statement and compliance issues noted during the completed financial statements audits as well as emerging

matters and the implications for future audits.

- The 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, on our:

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

REGIONAL AND INTERNATIONAL WORK

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

OUR WORK WITH CAROSAI AND IN THE CARIBBEAN REGION

The OAG is a member of the Caribbean Organisation of Supreme Audit Institutions (CAROSAI), which works to support and enhance the role of public audit offices throughout the region. The mission of CAROSAI is to “contribute to its members becoming

professional SAIs by supporting and promoting the strategic management, performance measurement and reporting in SAIs; the implementation of ISSAIs for high quality audits; and enhanced SAI Stakeholder engagement for greater audit impact.”

CAROSAI relies significantly on the contribution of its membership to support its activities. The OAG is an active member, with the Auditor General sitting on the Executive Council, the Deputy Auditor General chairing the Communications sub-committee, and the Director of Financial Audit chairing the Institutional Strengthening sub-committee for previous years and for the majority of 2019. In the summer of 2019 CAROSAI held its Congress in Guyana and OAG Cayman Islands ended its tenure on the Executive Council and sub-committees. The OAG will continue, however, to be heavily involved in CAROSAI and to provide assistance as needed.

During 2019 we made the following contributions to CAROSAI / the Caribbean Region:

- In May, the OAG participated in the IntoSAINT programme, which assessed the integrity of the office and our staff. The assessment was carried out by OAG staff below management level and was facilitated by Yolanda Clarke, Audit Project Leader and an auditor from the Jamaica National Audit Office (both of whom had received moderator training on the IntoSAINT assessment tool). The findings and recommendations from the assessment were presented to OAG management.
- In June, the Auditor General and Yolanda Clarke attended the CAROSAI AG’s Congress, which is held every three years, in

Georgetown, Guyana. The Auditor General undertook facilitation roles and led the session presenting the suggested changes to the CAROSAI charter, which were supported by the Congress. Yolanda spoke at a session on her experiences in undertaking the IntoSAINT integrity assessment the previous month.



Sue Winspear, Auditor General and Yolanda Clarke at the CAROSAI Congress in Guyana

- The Director of Performance Audit, Angela Cullen and Gabriel Ncube, Audit Project Leader started supporting the OAG in Montserrat during 2019 along with colleagues from the UK NAO, as part of a UK Government (DFID) project. The project aims to support the development of the performance audit practice in the OAG Montserrat. In September, Angela and Gabriel visited Montserrat and continued to provide remote support during the rest of the year.

OUR WORK WITH INTOSAI AND GLOBALLY

In addition to being an active office in the CAROSAI region, the OAG also contributes to the development of international public service audit practice through the International Organisation of Supreme Audit Institutions (INTOSAI) and its development arm, the IDI (INTOSAI Development Initiative), both as CAROSAI's representative on INTOSAI committees and as an Office in our own right.

- The Auditor General acts as CAROSAI's representative on the INTOSAI Capacity Building Committee and in a personal capacity on the INTOSAI Task Force for Auditor Professionalisation.
- Director of Financial Audit, Patrick Smith, represented CAROSAI at the INTOSAI Professional Standards Committee in Warsaw, Poland in June.
- Patrick also represented CAROSAI in September at the IDI's auditor professionalisation working group for financial audit in Hyderabad, India. This trip was funded by the IDI.
- Julius Aurelio, Audit Manager, and Garnet Harrison, Deputy Auditor General went to Malta in May to participate in an IDI Innovation and Data Analytics workshop.
- Director of Performance Audit, Angela Cullen, was asked to support the INTOSAI Strategic Planning, Management and Reporting (SPMR) programme as a resource person for some European audit offices.
- Angela attended the workshop for resource leads in Oslo, Norway in June; and attended the first programme workshop in Belgrade, Serbia in September. The trips were funded by IDI.

In addition, the UK Foreign and Commonwealth Office is funding a four-year programme to improve governance and financial management in its UK Overseas Territories (UKOT). The programme has three strands, aimed at the Public Accounts Committees, the external audit functions and the internal audit functions.

During November 2019, the Office benefited from the services of Alan Banks from the UK National Audit Office working alongside us to support our work during interim financial audits. The NAO have similarly offered us help during financial audit peak in March and April 2020 under this programme with one of our staff members, Ruel Huet, due to go to the NAO on secondment in January 2020.

During December 2019, the Auditor General attended the annual forum in London along with PAC Chairman, Hon. Ezzard Miller and Director of Internal Audit Services, Andy Bonner.



Hon. Ezzard Miller, PAC Chair and Sue Winspear, Auditor General at the UKOT Forum in London (December 2019)

OUR ORGANISATION

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

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

LEADING BY EXAMPLE

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

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

During the year we participated in a staff engagement survey along with the rest of the Government. Our results from that survey showed excellent employee engagement. See Exhibit 6 below.

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

Exhibit 6 - OAG Employment Engagement Survey 2019

★ Statistically significant difference from comparison group

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



In 2019, the OAG continued consolidating the developments and significant changes that had occurred in the previous years. We continued to deliver the goals outlined in our strategic plan, including:

- reporting our performance through our annual report and accounts;
- ensuring that our internal controls enabled us to comply with relevant legislative requirements;
- reviewing, maintaining and developing our internal policies;
- proactively disclosing key information about the OAG; and
- maintaining and developing our website, Facebook page, and LinkedIn account.

INDEPENDENCE OF THE OAG

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

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

In prior years we carried out an analysis of the Office's independence against the independence principles for supreme audit institutions, which are supported by the United Nations General Assembly through a resolution.

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

These included the following:

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

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 further refinements to our audit software by building in the requirements of ISSAIs.

We continued to implement our learning and development plan to ensure that 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 continued to be delayed due to other priorities, given finite management resources. We will continue to work toward 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 in our audit methodology.

DEVELOPING THE CAPACITY OF OUR EMPLOYEES

The continuous development of our staff is important to us and we made it one of our four strategic objectives for 2019 to 2023. It is essential that we have appropriately skilled and trained people to effectively deliver our mandate. This includes keeping our core financial audit skills up to date and developing our skills for performance and information technology audit. Developing our skills also helps us contribute to wider government activities.



Gabriel Ncube receiving his IPSAS certificate from Sue Winspear, Auditor General

During the year, our two audit trainees commenced their studies for their professional accountancy qualifications.

We have also continued to develop our in-house performance audit practice. The benefits of this are two-fold: it develops the skills and experience of our audit staff in this type of audit; and it has allowed us to significantly reduce our reliance and spending on external consultants. By the end of 2019 almost all audit staff had worked on a performance audit.

In March the OAG drafted its IT strategic plan, with a key goal of using information technology to improve internal operations and enhance our delivery of services to clients.

The IT strategic plan identifies four guiding principles with supporting strategic objectives designed to improve the Office's business capabilities and systems:

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

The plan is expected to be fully implemented by 2021.

As part of our commitment to developing our staff, we have been looking for opportunities for staff to contribute to and support the international auditing community. These include the opportunities for Yolanda Clarke and Gabriel Ncube that were highlighted earlier in this report, in the section on Regional and International work.

With respect to developing the capacity of our employees, a number of office-wide activities

were undertaken during the year that should support the delivery of our mandate:

- In May, Garnet Harrison, Deputy Auditor General, and Julius Aurelio, Audit Manager, attended an INTOSAI IDI innovation and data analytics workshop in Malta.
- In August, Ruel Huet travelled to Turks and Caicos with colleagues from HMCI to learn about the disaster recovery relief recording system being used in the UKOT.
- In November all of our staff attended a two-day update on International Public Sector Accounting Standards (IPSAS) for public sector accountants and auditors, organized by the Cayman Islands Government.
- Also in November the majority of our staff attended the Cayman Islands Institute of Professional Accountants (CIIPA) Summit, which provided sessions on: government and economic updates; digital upskilling; ethics; and the importance of IPSAS and improving government decision making. The Auditor General played a role in the development of this Summit by sitting on the CIIPA steering committee.

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

Finally, in 2019 the OAG introduced a long service award scheme formally recognising employees' contributions to the Office at five-year intervals.

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COMMUNITY INVOLVEMENT

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

Members of the OAG participated in the CIIPA training committee and public sector committee.

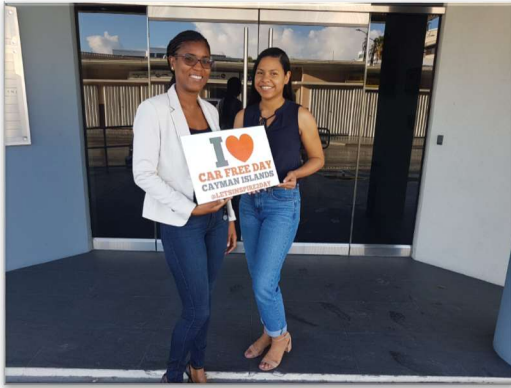
Members of the OAG guest lectured at various professional conferences and in the accounting and auditing programme at UCCI and ICICI.

The majority of OAG staff undertook a one day Red Cross first responder course in May and June to ensure we can render first aid if needed.



Maegan Samuels joined us as an intern in August and December 2019.

In September 2019 some of our staff participated in Car Free Day.



Zenobia Badley and Brittany Bodden participating in Car Free Day

The Auditor General and Director of Performance Audit volunteered as cashiers in October 2019 for the Breast Cancer Foundation live and silent auctions.

In September 2019, several staff members participated in the DG 5K Challenge, which helped to support three good causes with a focus on tackling mental health, living with special needs and assisting those in crisis. The beneficiaries were: Cayman Islands Crisis Centre, the Special Needs Foundation Cayman and the Alex Panton Foundation.



OAG staff participating in the DG 5K Challenge (September 2019)

The Senior Management Team



Garnet Harrison, CPA, CA, Deputy Auditor General

Responsible for managing the OAG's corporate affairs and contracted-out audits.

Garnet left the OAG in June 2019 and the post was removed



Patrick Smith, CPA, CFE, Director of Financial Audit

Responsible for managing our in-house financial audit practice

Became Deputy Auditor General (Financial Audit) from June 2019.



Angela Cullen, CPFA, Director of Performance Audit

Responsible for managing our performance audit practice.

Became Deputy Auditor General (Performance Audit) from June 2019.

OUR PEOPLE

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

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

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 the CIIPA annual Summit and an IPSAS update session.

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

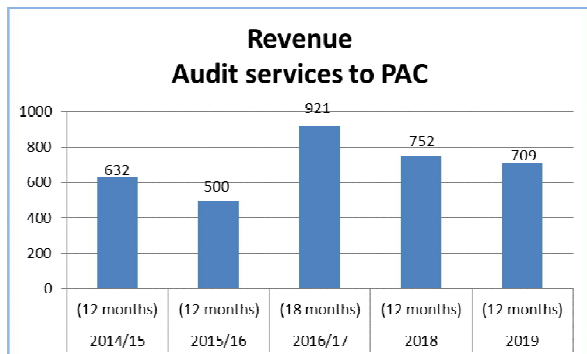
OUR RESOURCES

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.

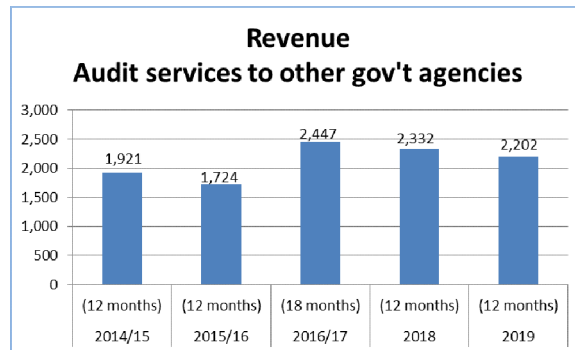
FINANCIAL STATEMENT TREND ANALYSIS AND DISCUSSION

REVENUE ANALYSIS

Expressed in Cayman Islands Dollars (Thousands)



Audit services to PAC: Revenue from audit services to the PAC is directly related to the number of reports and the complexity of those reports that we issue to the Legislative Assembly each year. The revenue generated from services to the PAC in 2019 was lower than 2018 because fewer audits were in progress at the end of the year. In 2019, we issued five reports to the PAC and three were in progress at the year-end (2018: five reports issued and seven in progress). The Office has also been using more in-house staff rather than consultants to carry out performance audits. Note that from 2018, the Auditor General’s full salary and pension were charged directly to the PAC as a statutory expense.

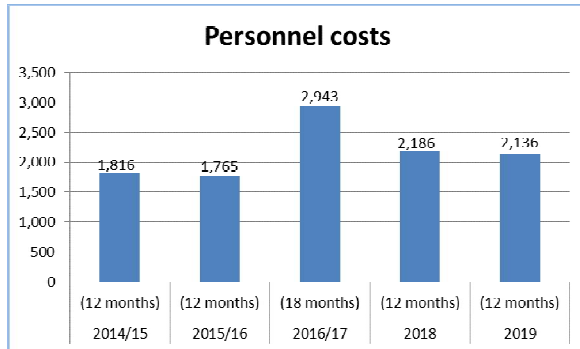


Audit services to other government agencies: During 2019 we generated \$2,202k in revenue from audit services, which was broadly in line with 2018. During 2019, we carried out more interim audits for a number of entities, as well as fully charging the audit engagement fees. Prior to 2018, the full engagement fee was not charged if the actual chargeable audit work was lower than the proposed engagement fee.

Over the past five years, we have issued the following number of financial statements audit opinions: 2019: 42; 2018: 44; 2016-17: 55; 2015-16: 34; 2014-15: 54.

EXPENSE ANALYSIS

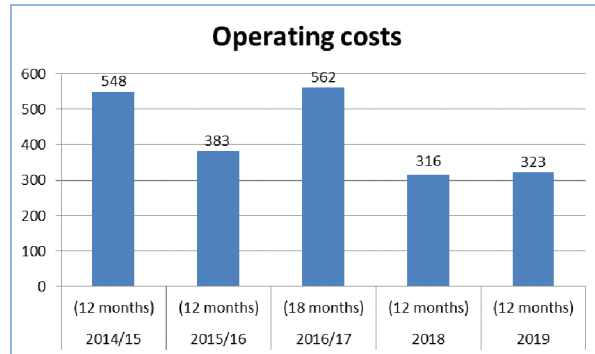
Expressed in Cayman Islands Dollars (Thousands)



Personnel costs: In 2019 personnel costs were slightly lower than in 2018. This reflects the fact that two staff left during the year and the posts were not filled.

Over the five year period, personnel costs have increased. This is due to cost of living awards to some staff in December 2016 and to all staff in July 2018.

Our staffing establishment has remained at 20 FTEs since 2018. The actual number of staff in post at 31 December 2019 was 19.



Operating costs: Operating costs in 2019 were similar to 2018, despite fluctuating over the previous years. This is largely due to our planned reduction in the use of consultants for performance audits and our development of this expertise in-house. Spending on professional fees decreased significantly over this period from \$300k in 2014-15 to \$78k in 2019.

Revenue and expenses discussed in this section do not include the work undertaken on behalf of the Office by private sector audit firms. If those audits were accounted for through the Office's financial statements, revenue and expenditure would each increase by approximately \$865k.

The Office is exploring having these expenses attributed to our Office's operations instead of being charged directly to the entities. This would provide full accountability for the cost of public sector audits. However, this was not done in the recent budget process.

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

SURPLUS/(DEFICIT) ANALYSIS

The Office generated a surplus of \$436k for 2019.

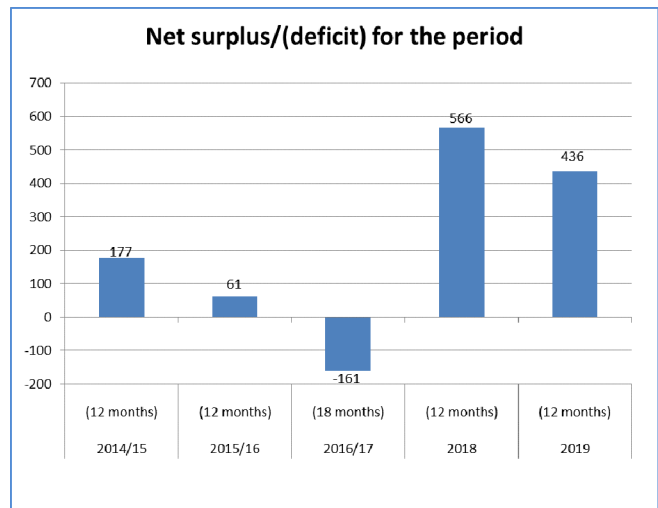
The Office had budgeted for a surplus of \$174k, but achieved a greater surplus due to lower than budgeted personnel costs by \$65k and lower than budgeted operating expenses by \$260k. Personnel costs were lower than budgeted due to staff departures during the year and the positions not having been filled. The reduction in operating expenses for the year was primarily because only \$78k was incurred for professional fees compared to the \$275k that was budgeted; more in-house resources were used instead of consultants for performance audits.

The Office has been able to generate reasonable surpluses over the past five years with the exception of 2016-17 when there was a deficit of \$161k. This occurred because the fiscal period was 18 months and the audit fees generated for that period were less than the cost of operating for the 18 months.

Our goal is to break even on a year-to-year basis.

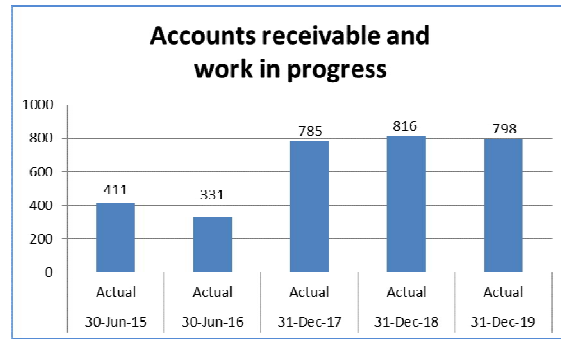
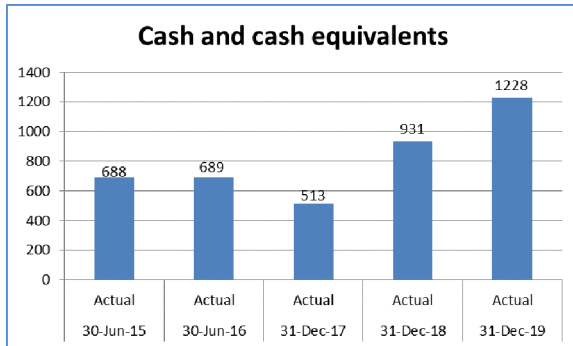
More detailed financial information is contained in our financial statements (see pages 37 - 65).

Expressed in Cayman Islands Dollars (Thousands)



STATEMENT OF FINANCIAL POSITION TREND ANALYSIS ON SELECT ITEMS

Expressed in Cayman Islands Dollars (Thousands)



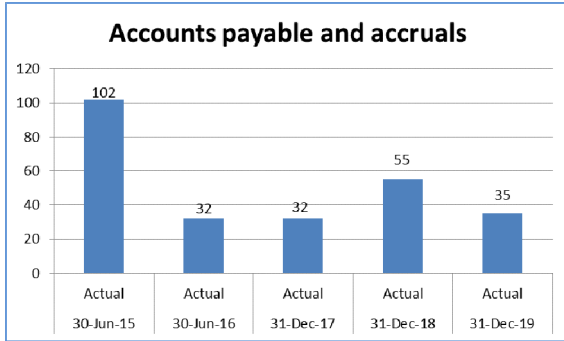
Cash and cash equivalents analysis: The Office has maintained a healthy cash position since 2012-13 and we aim to maintain a cash position of 2 to 3 times our monthly expenses. Cash and cash equivalents have increased by \$297k from the prior year as a result of the surplus achieved in the current year. The Office has not yet repaid to the Government the surplus payable for 2018, which is also included in this balance.

For further analysis of the changes in cash and cash equivalents for the year ending 31 December 2019, see the Cash Flow Statement and Note 13 to the financial statements on the reconciliation of net surplus to cash flows generated from operating activities.

Accounts receivable and work in progress analysis: This has remained relatively constant over the past three years. In late 2016-17 we changed our billing methodology so that many clients pay their audit fees for the financial statement audits in increments (50% upfront; 40% progress billing; and final 10% upon issuance of the audit opinion). In 2019 the Office revised our methodology for all clients and billings were done on a quarterly basis for actual cost incurred on the respective audit engagement.

We typically manage our outstanding receivables to ensure that they are outstanding only for approximately two months. Even though, the amount owed to the Office from the PAC, government ministries, portfolios, statutory authorities and government companies varies from year to year, all accounts are expected to be collected and we have never had to be concerned about an allowance for uncollectable accounts.

Expressed in Cayman Islands Dollars (Thousands)

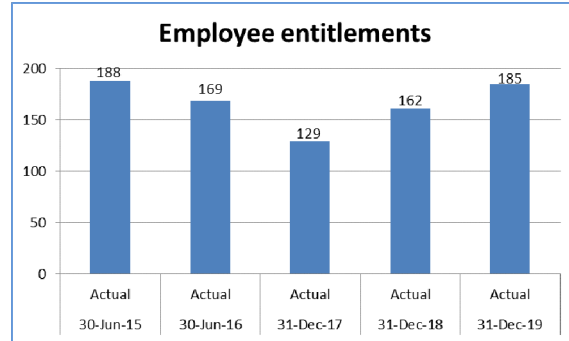


Accounts payable and accruals: Accounts payable and accruals are expected to range between \$20k and \$40k in any given year. At the end of 2019, accounts payable and accruals were \$35k, which is within this range.

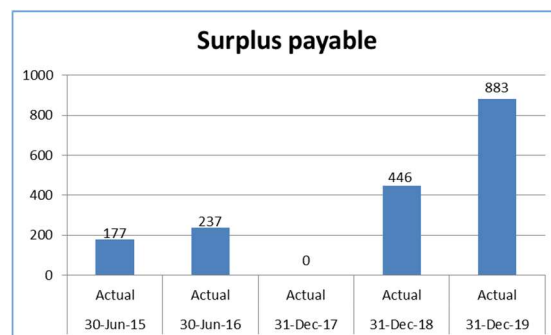
Trade payables at 31 December 2019 were \$3k; this is significantly less than the prior year. Trade payables due at the end of 2018 were higher than normal because health care premium insurance (\$17k), software fees (\$2k) and training fees (\$4k) had not been paid at year end, in comparison to the prior year end.

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

The Office generated a surplus of \$436k during the year. In addition, there was a surplus payable of \$447k due at 31 December 2018 but this was not paid back to the Government during the year. The surplus payable at the end of 2019 therefore increased significantly.



Employee entitlements analysis: Employee entitlements due at the year-end are made up of unused annual leave and time-off-in-lieu accrued during the year. The total due for employee entitlements increased at the end of 2019. Unused annual leave amounted to \$143k, an increase of \$18k from the prior period due to the conducting of more interim work and employees' inability to reduce the buildup of their annual leave. The amount due for time-off-in-lieu increased from the prior year to \$42k.



FINANCIAL PERFORMANCE RATIOS

Ratio	2019 Actual	2019 Original/Final Budget	Variance
Current Assets: Current Liabilities (Working Capital)	1.43	2.69	(1.26)
Total Assets: Total Liabilities	1.48	2.89	(1.41)

These ratios indicate that we were able to meet our current obligations as at 31 December 2019. They were lower than budgeted, however, as actual liabilities for the year included deferred revenues for audit fees received but not earned as at 31 December 2019, which were not included in the 2019 budget.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2019 and 2018 are disclosed below in bands of CI\$5,000.

Post	Remuneration 2019 \$000	Remuneration 2018 \$000	Benefits 2019 \$000	Benefits 2018 \$000
Auditor General	170-175	160-165	45-50	40-45
Deputy Auditor General (resigned 31 July 2019)	75-80	130-135	20-25	30-35
Director Performance Audit	130-135	95-100	25-30	20-25
Director Financial Audit	110-115	100-105	20-25	20-25

Remuneration includes salary, allowances, and any additional remuneration paid during the financial year. Allowances paid during the year were acting and motor car upkeep allowances. Benefits include pension, and health care insurance. Effective July 2018, Office personnel received a 5% cost of living allowance, which increased the salaries and pensions of staff. Three senior managers' contracts were renewed during 2019 and any annual leave balances were paid out at that time. The former Deputy Auditor General resigned effectively 31 July 2019 and any remaining leave balances were paid out at that time.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs(\$)
Consultant Performance Auditor	Efficiency of Summary Courts Performance Audit	20,988
Consultant Performance Auditor	Improving Financial Transparency and Accountability Performance Audit	15,394
Seconded - Performance Auditor	Education Performance Audit	12,937
Seconded - Financial Auditor	Interim Audits	16,390

Baker Tilly (Cayman) Ltd.	OAG Financial Statement Auditor	15,965
Netclues	Website Hosting and Maintenance	1,350
Editor	Report Editing	3,459
Reliable	Janitorial Services	11,470
Security Centre	Security Services	1,332
Kalar Consulting Ltd	IPSAS Training	658

During the year we contracted with several individual consultants to help us conduct our performance audits. We also seconded two staff members from Audit Scotland (performance audit) and UK National Audit Office (financial audit) to help us carry out some of our work. The cost of these consultants and secondees includes payments made directly for the services provided and their associated costs (i.e. work permit fees, airfare, hotel, car rental, etc.). Campbells and the Attorney General provided us with legal advice for our financial audit and investigative work once during the year but did not charge for this.

The three-year contracts with consultants to carry out performance audit work ended on 31 December 2019. Our intention is to limit our use of consultants for performance audit work as we build up our in-house capacity. However, we may need to use consultants to support our work in future years depending on our resourcing model but, this will be on a case-by-case basis.

During 2019, we seconded one member of staff from the UK National Audit Office to support the peak interim financial audit period. We are considering this as a viable option to support peak periods for financial statements audits in future years.

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

TRAVEL AND SUBSISTENCE

The Office undertakes travel to: conduct audit work, enhance competencies and skills of staff, and support the development of public sector auditing across the Caribbean region and internationally. The 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 (highlighted in a previous section, Regional and International work). Eight staff members 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 Table 3 below.

Year-to-year comparison of travel	
Travel and Subsistence 2018 – \$33K	Travel and Subsistence 2019 – \$33K
Cayman Brac – financial statements (inventory counts) and performance audit work	Cayman Brac – financial statements (inventory counts).
Canada - Canadian Council of Legislative Auditor’s (CCOLA) conferences and meetings in: Charlottetown, Prince Edward Island (annual conference with public accounts forum) and Toronto (financial statements symposium)	Canada - Canadian Council of Legislative Auditor’s (CCOLA) conferences and meetings in: Montreal (financial statements symposium) and Toronto (performance audit symposium)
United States , Miami – UK Overseas Territories PA workshop (FCO partially sponsored)	United States , Miami – UK Overseas Territories Forum
Jamaica , Kingston – 30 th anniversary of CAROSAI	Jamaica , Kingston – IntoSAINT training and workshop
	Montserrat - support to OAG Montserrat (UK DFID partially sponsored)
	Guyana , Georgetown – CAROSAI Congress XI
	Turks and Caicos Islands - Hazard management training (CIG funded)
United Kingdom , London – UK Overseas Territories PA workshop (FCO partially sponsored) and financial audit work on OT Office and Department of Tourism Office.	United Kingdom , London – UK Overseas Territories Forum (FCO funded)
	Poland , Warsaw – INTOSAI Professional Standards Committee
	Norway , Oslo – INTOSAI IDI SPMR programme (IDI funded)

Year-to-year comparison of travel	
Travel and Subsistence 2018 – \$33K	Travel and Subsistence 2019 – \$33K
	Serbia , Belgrade – INTOSAI IDI SPMR programme (IDI funded)
	Malta – INTOSAI IDI Innovation and Data Analytics workshop
Zambia, Lusaka - INTOSAI – IDI performance audit workshop on preventing corruption (partly sponsored by INTOSAI - IDI)	
	India , Hyderabad – INTOSAI IDI auditor professionalization working group (IDI funded)

PHYSICAL CAPITAL MEASURES

Measure	2019	2019	Variance
	Actual	Original/Final Budget	
	\$000	\$000	\$000
Value of total assets	2,096	1,052	1,044
Asset replacements: total assets	0.5%	1.0%	(0.5%)
Book value of assets: initial cost of those assets	36%	42%	(6%)
Depreciation: cash flow on asset purchases	106%	212%	(172%)
Changes to asset management policies	None	None	None

The Office's total assets were over budget by \$1,044k, which is attributable mainly to cash and cash equivalent in excess of budget by \$891k, due to retention as at 31 December 2019 of surpluses for the current and prior years. Accounts receivable and work in progress were also over budget by \$158k due to the conducting of more audit work than expected in the last quarter.

HUMAN CAPITAL MEASURES

Measure	2019 Actual	2019 Original/Final Budget	Variance
Total full time equivalent staff employed at 31 December	19	21	-
Staff turnover (%)			
Senior managers	25%		
Professional and technical staff	7%		
Administrative and non-professional staff	0%		
Average length of service (number of years in current position)			
Senior managers	8		
Professional and technical staff	6		
Administrative and non-professional staff	10		

Changes to personnel management system: None

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. The two professional audit trainee positions were filled during 2018 (they remained in post at 31 December 2019). One senior manager resigned during the year (no employees resigned in the period ending 31 December 2018). In professional and technical staff category (Audit Managers and Audit Project Leaders) one employee resigned during the year (none in the period ending 31 December 2018). There were no changes in the administrative and non-professional staff category. As at 31 December 2019 we had no employees on secondment (in 2018 one employee was on secondment to Internal Audit Services of the Government).

The Office changed the senior management structure during 2019 as a result of the Deputy Auditor General's resignation. That post was removed from the staffing establishment and the responsibilities were shared among the two Directors and the Finance and Administration Manager. As a result of the increased responsibilities, these three posts were evaluated and regraded as two Deputy Auditors General and a Corporate Services Manager (There were no changes to the personnel management system in 2018).

SICK LEAVE ANALYSIS

	2014-15 (12 months)	2015-16 (12 months)	2016-17 (18 months)	2018 (12 months)	2019 (12 months)
# of days	188	117	215	136	139
# of FTE*	18.43	17.11	18.65	20.29	19.58
Average sick days/FTE	10.20	6.84	11.53	6.70	7.09
Sickness absence rate **	4.54%	3.06%	3.44%	2.98%	3.18%

* 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. Based on past experience, the Office's expected range for sick leave during any given year per employee is 7 to 8 days.

For the year ending 31 December 2019, the sickness absence rate is consistent with prior years. During this period two employees were granted extended sick leave ranging from 14 to 16 days. Most employees recorded some sick leave; one employee had no sick leave; and three employees recorded only one sick day for the year. In 2018 two employees were granted extended sick leave ranging from 11.5 to 13.5 days. All employees recorded some sick leave; one employee had no sick leave; and two employees recorded only one sick day for the year.

PROFILE OF OAG STAFF

The OAG has a diverse staffing profile, with nine nationalities represented as at 31 December 2019.

Nationality	Senior Management	Auditors	Administrative
Caymanian	1	3	2
Barbadian	-	2	-
British	2	-	-
Filipino	-	2	-
Ghanaian	-	1	-
Guyanese	-	1	-
Jamaican	-	3	-
Ugandan	-	1	-
Zimbabwean	-	1	-

The percentage of overall Caymanian staff (32%) at the end of 2019 was slightly less than the prior period as one auditor left during the year.

As at 31 December 2019 we have eight male and eleven female members of staff.

Gender	Senior Management	Auditors	Administrative
Female	2	7	2
Male	1	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 to the achievement of both financial and operational objectives. The senior management team ensures that the Office’s risk register is kept under review and that there are appropriate management practices in place to mitigate the risks identified.

The Office has identified five 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 their occurrence. One risk was assessed as moderate and four were assessed as low. The moderate risk was that the Office would be compromised due to breaches to our information technology systems and theft, loss and unauthorized access to data.

The Office will actively monitor this risk, and action is being taken to reduce exposure to it.

For 2019, operational risks were effectively managed and mitigated with no instances of significant events or deviations from operational plans.

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

Financial Accounts



Financial Statements

31 December 2019

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 (2018 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 (2018 Revision)*.

As Auditor General and Deputy Auditor General (Financial Audit), 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 (Financial Audit), 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 year ended 31 December 2019.

To the best of our knowledge we represent that these financial statements:

- a) completely and reliably reflect the financial transactions of the Office of the Auditor General for the year ended 31 December 2019;
- b) fairly reflect the financial position as at 31 December 2019 and the performance for the year ended 31 December 2019;
- 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) Ltd. has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Sue Winspear, CPFA
Auditor General



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

DATE: 26 April 2020

DATE: 26 April 2020

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

Opinion

We have audited the financial statements of the Office of the Auditor General (the "Office") which comprise the statement of financial position as at 31 December 2019, and the related statements of financial performance, changes in net assets/equity and cash flows for the year then ended, and the notes to the financial statements as presented on pages 41 to 60 of the annual report.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2019 and its financial performance, changes in net assets/equity and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Baker Tilly (Cayman) Ltd.

**Baker Tilly (Cayman) Ltd.
26 April 2020
Grand Cayman, Cayman Islands**

Office of the Auditor General Cayman Islands

Statement of Financial Position

As at 31 December

(In Cayman Islands Dollars)

2018 Actual \$000		Note	2019 Actual \$000	2019 Original/Final Budget \$000	2019 Variance from Original Budget \$000
	Current assets				
931	Cash and cash equivalents	1	1,228	336	892
816	Accounts receivable & work in progress	2	798	640	158
2	Prepayments		6	4	2
1,749	Total current assets		2,032	980	1,052
	Non-current assets				
70	Property, plant and equipment	3	64	72	(8)
70	Total non-current assets		64	72	(8)
1,819	Total assets		2,096	1,052	1,044
	Current liabilities				
55	Accounts payable and accruals	4	35	45	(10)
162	Employee entitlements	5	185	145	40
447	Surplus payable	6	883	174	709
467	Unearned revenue	7	305	-	305
1,131	Total current liabilities		1,408	364	1,044
1,131	Total liabilities		1,408	364	1,044
688	Net assets		688	688	-
	Net assets/equity				
688	Contributed capital*	8	688	688	-
-	Accumulated surpluses*		-	-	-
688	Total net assets/equity		688	688	-

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

The accounting policies and notes on pages 45 to 60 form part of these financial statements

Office of the Auditor General Cayman Islands

Statement of Financial Performance

For the year ended 31 December

(In Cayman Islands Dollars)

2018 Actual			2019 Actual	2019 Original/ Final Budget	2019 Variance from Original Budget
\$000	Note	\$000	\$000	\$000	\$000
Revenue					
752		709	760		(51)
2,332		2,202	2,219		(17)
3,084		2,911	2,979		(68)
Expenses					
2,186		2,136	2,201		(65)
316		323	583		(260)
16		16	21		(5)
2,518		2,475	2,805		(330)
566		436	174		262

The accounting policies and notes on pages 45 to 60 form part of these financial statements.

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

2018 Actual			2019 Contributed Capital (Note 8) \$000	2019 Accumulated Surpluses \$000	2019 Total Net Assets/ Equity \$000	2019 Total Net Assets/Equity Original Budget \$000	2019 Total Net Assets/Equity Variance From Original Budget \$000
\$000	Note						
688	Opening Balance		688	-	688	688	-
-	Net surplus for the year		-	436	436	174	262
-	Repayment of net surplus	6, 8	-	(436)	(436)	(174)	(262)
688	Closing balance		688	-	688	688	-

The accounting policies and notes on pages 45 to 60 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to Financial Statements

For the year ended 31 December 2019

(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 (2018 Revision)* (PMFL). Revenue is derived from audit services provided to the Cayman Islands 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 2019, the Office employed 19 staff (31 December 2018: 21).

GENERAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2019 have not been adopted early by OAG.

Certain new accounting standards have been published that are not mandatory for the 31 December 2019 reporting period and have not been adopted early by the OAG. The Office’s assessment of the impact of these new standards is set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 41 establishes new requirements for classifying, recognising and measuring financial instruments to replace those in *IPSAS 29, Financial Instruments: Recognition and Measurement*. It is anticipated that IPSAS 41 will not have a significant impact on the Office’s financial statements. This will be assessed more fully closer to the effective date of adoption.

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

IPSAS 42, Social Benefits was issued in January 2019 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. IPSAS 42 defines social benefits and determines when expenses and liabilities for social benefits are recognised and how they are measured. It is anticipated that IPSAS 42 will not have an impact on the Office's financial statements, but this will be assessed more fully closer to the effective date of adoption.

These financial statements have been prepared on a going concern basis and the accounting policies set out below have been applied consistently to all periods presented. The financial statements are presented in Cayman Islands dollars using the historical cost basis of accounting.

REPORTING PERIOD

The reporting period is for the 12 months ended 31 December 2019.

BUDGET AMOUNTS

The 2019 original budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied in the actual financial statements presentation. The 2018 and 2019 original budgets were presented in the 2018 and 2019 Annual Budget Statements of the Cayman Islands Government and approved by the Legislative Assembly on 15 November 2017.

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.

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

JUDGEMENT AND ESTIMATES (CONTINUED)

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 2019 and 31 December 2018, no reliable fair value estimate of contributed goods and services provided to the Office by government entities could be made and therefore no estimated amounts are recorded in these financial statements.

SPECIFIC ACCOUNTING POLICIES

ASSETS

Cash and cash equivalents

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

Accounts Receivable

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

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

ASSETS (CONTINUED)

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

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 2019 and 2018 all eligible employees of the Office belonged to the defined

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

LIABILITIES (CONTINUED)

contribution plan. There were no employees in 2019 who reached retirement age and were therefore no longer eligible to participate in the defined contribution plan.

Unearned Revenue

The Office derives its revenue from the PAC and other government entities for audit services provided. The Office utilized stage billings for the 31 December 2018 financial audit work for several clients which included 50% billing upon commencement of work and the remaining 50% at interim and completion stages of the audit. Billed amounts are recorded as unearned revenue until earned. The Office reverted to progress billings for the 31 December 2019 financial audit work.

Surplus Payable

Pursuant to the *Public Management & Finance Law (2018 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 PAC. When surpluses arise, they are booked as a payable to the Cayman Islands Government unless the PAC directs that the surplus may 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 PAC 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 and include: 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 if its

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

REVENUE (CONTINUED)

committees or subcommittees. Audit services revenue is recognised in the accounting period in which it is earned. The Office bills its clients quarterly for actual cost incurred on the respective engagement.

EXPENSES

General

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

Depreciation

Depreciation of non-financial physical assets is provided on a straight-line basis at rates based on the expected useful lives of those assets.

Operating Leases

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under the operating leases are recognised as an expense on a straight-line basis over the lease term.

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

NOTE 1: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include a non-interest bearing operating and payroll account held in the name of the Office of the Auditor General at the Royal Bank of Canada in the Cayman Islands. The balances at 31 December were:

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
931	Bank accounts	1,228	336	892
931	Total cash and cash equivalents	1,228	336	892

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

Cash and cash equivalents are over budget by \$892k, which is a result of the significant surplus achieved and significantly lower than expected operating expenses. There is always also a significant surplus payable from the prior year, which impacts the cash and cash equivalent amount at the end of the current year. Other factors are noted in the Cash Flow Statement and Note 14 reconciliation of net surplus to cash flows generated from operating activities. The increase in cash and cash equivalents of \$297k from the prior year is a result of the surplus achieved and lower operating expenses. Cash from operations increased by \$312k, which was offset by cash outflows for purchases of property, plant and equipment of \$15k. Additional details are presented in the Cash Flow Statement.

NOTE 2: ACCOUNTS RECEIVABLE AND WORK IN PROGRESS

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
47	Audit services to PAC (accounts receivable)	60		
32	Audit services to PAC (work in progress)	52		
506	Audit services to other government entities (accounts receivable)	212		
231	Audit services to other government entities (work in progress)	474		
816	Total gross accounts receivable & work in progress	798	640	158
-	Less: provision for doubtful debts	-	-	-
816	Total net accounts receivable & work in progress	798	640	158

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

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

Aging Analysis of Accounts Receivable and Work in Progress

2018 Actual	Accounts receivable & work in progress	2019 Actual	2019 Original/Final Budget	2019 Actual vs. Original Budget
\$000		\$000	\$000	\$000
699	Current	525	105	420
7	Past Due 1-30 days	-	255	(255)
-	Past Due 31-60 days	60	280	(220)
47	Past Due 61-90 days	210	-	210
63	Past Due 91-180 days	3	-	3
-	Past Due 181-360 days	-	-	-
-	361 + Days	-	-	-
816	Total	798	640	158

Explanation of major variances against the original budget:

The increase in accounts receivable when compared to budget is due to the completion of more audit work than expected in the last two quarters, and the issuing of bills for those periods later than expected, which resulted in later collections.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings \$000	Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000	Original/Final Budget \$000	Actual vs. Original Budget \$000
<u>Cost</u>							
At 1 January 2018	71	28	36	14	149	142	7
Additions	4	13	-	-	17	31	(14)
Disposals	-	-	-	-	-	(6)	6
At 31 December 2018	75	41	36	14	166	167	(1)
<u>Accumulated Depreciation</u>							
At 1 January 2018	17	24	29	10	80	70	10
Accumulated depreciation on disposals	-	-	-	-	-	(6)	6
Depreciation for the year	7	2	4	3	16	20	(4)
At 31 December 2018	24	26	33	13	96	84	12
Net book value at 31 December 2018	51	15	3	1	70	83	(13)

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture& Fittings \$000	Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000	Original/Final Budget \$000	Actual vs. Original Budget \$000
<u>Cost</u>							
At 1 January 2019	75	41	36	14	166	167	(1)
Additions	1	-	9	-	10	10	-
Disposals	-	-	-	-	-	(6)	6
At 31 December 2019	76	41	45	14	176	171	5
<u>Accumulated Depreciation</u>							
At 1 January 2019	24	26	33	13	96	84	12
Accumulated depreciation on disposals	-	-	-	-	-	(6)	6
Depreciation for the year	8	2	5	1	16	21	(5)
At 31 December 2019	32	28	38	14	112	99	13
Net book value at 31 December 2019	44	13	7	-	64	72	(8)

Explanation of major variances against the original budget:

In 2019 the Office purchased a new work station, chairs and laptops. Of the total amount spent for assets, \$5k was reclassified to prepayments as the related assets were not received as at 31 December 2019.

NOTE 4: ACCOUNTS PAYABLE AND ACCRUALS

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
40	Trade creditors	3	-	3
15	Accruals	32	45	(13)
55	Total	35	45	(10)

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

The accounts payable and accruals were below budget due lower than anticipated operating cost for a number of expenses items including professional fees, rent, utilities, training and legal cost. Total operating expenses was under budget by \$260k which led to related liabilities being \$10k under budget.

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

NOTE 4: ACCOUNTS PAYABLE AND ACCRUALS (CONTINUED)

Accounts payables and accrual liabilities were less than prior year due primarily to less cost being incurred for some expenses in the last quarter resulting in lower payables at 31 December 2019.

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
125	Annual leave	143	105	38
37	Time off in Lieu	42	40	2
162	Total	185	145	40

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

Actual annual leave and time off in lieu were \$40k greater than budget because more interim work was conducted in September to November 2019 and employees were not able to reduce their buildup of annual leave. This also caused annual leave and time off in lieu to increase by \$23k from the prior period's actual amount.

NOTE 6: SURPLUS PAYABLE

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
447	Surplus payable	883	174	709
447	Total	883	174	709

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

Actual to budget and prior year: The Office achieved a surplus of \$436k, which was higher than the budgeted surplus of \$174k. The surplus payable of \$447k from the prior year was not remitted to the Treasury, resulting in a cumulative surplus payable of \$883k, which is \$709k higher than budgeted.

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

NOTE 7: UNEARNED REVENUE

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
467	Unearned revenue	305	-	305
467	Total	305	-	305

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

Actual unearned revenue was \$305k, which relates to billings made in prior periods when the Office’s billing methodology for several clients was on a stage incremental basis (50% upfront; 40% progress billing and final 10% upon issuance of the audit opinion) . This was not budgeted for so resulted in a variance of \$305k. There was a decrease in unearned revenue by \$162k from the prior year, as a work was completed on audits from prior periods and the related unearned revenue was recognised as revenue earned in the current year.

NOTE 8: CONTRIBUTED CAPITAL

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

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

2018 Actual \$000		2019 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections: 2004-05: \$222k 2005-06: \$ 5k 2007-08: \$177k	404	404	-
181	Contributed goods & services (2010-11)	181	181	-
688	Total contributed capital	688	688	-

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
(in Cayman Islands Dollars)

NOTE 8: CONTRIBUTED CAPITAL (CONTINUED)

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

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

NOTE 9: REVENUE

2018 Actual		2019 Actual	2019 Original/Final Budget	2019 Actual vs. Original Budget
\$000		\$000	\$000	\$000
752	Audit services provided to Public Accounts Committee	709	760	(51)
2,332	Audit services provided to other government agencies	2,202	2,219	(17)
3,084	Total revenue	2,911	2,979	(68)

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

Actual audit service fees to the PAC for the 31 December 2019 year end were \$51k below the budgeted amount as a result of there being fewer than budgeted performance audits in progress for the year and the Office’s increased use of staff to conduct the audit work, which resulted in lower costs for the services provided to the PAC. There was also a small decrease over the budgeted amounts in audit services provided to other government agencies due to fewer backlogged audits being completed.

The current year actual fees for audit services to the PAC decreased by \$43k over the prior period as a result of the continued focus on using in-house staff (rather than consultants) to conduct more performance audit work during 2019. Actual audit services provided to other government agencies for financial statements audits during 2019 were \$130k less than the prior year actual, as more backlogged audits were worked on in the prior year compared to the current year, generating additional revenues.

Office of the Auditor General Cayman Islands
Notes to Financial Statements
For the year ended 31 December 2019
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NOTE 10: PERSONNEL COSTS

2018 Actual		2019 Actual	2019 Original/ Final Budget	2019 Actual vs. Original Budget
\$000		\$000	\$000	\$000
1,891	Salaries, overtime & allowances (including employee pension contributions)	1,832	1,808	24
191	Health insurance	191	246	(55)
98	Employer pension expense	98	97	1
6	Other personnel costs	15	50	(35)
2,186	Total personnel costs	2,136	2,201	(65)

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

Personnel costs for the year was lower than budget by \$65k and lower than the prior year actual by \$50k and this was due to vacant posts which were not filled during the current year.

Office of the Auditor General Cayman Islands
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NOTE 11: OPERATING EXPENSES

2018 Actual		2019 Actual	2019 Original/Final Budget	2019 Actual vs. Original Budget
\$000		\$000	\$000	\$000
97	Operating leases	96	105	(9)
96	Professional fees	78	275	(197)
33	Travel & subsistence	33	38	(5)
21	Other goods and services	32	36	(4)
15	Software licensing fees	17	18	(1)
15	Audit fees	16	18	(2)
13	Training	17	30	(13)
12	Janitorial services	11	13	(2)
11	Utilities	16	21	(5)
2	Computer and communication supplies	7	4	3
1	Legal fees	-	25	(25)
316	Total operating expenses	323	583	(260)

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

Professional Fees: Professional fees were under budget by \$197k as a result of our continuing to use more in-house staff rather than consultants to conduct our performance audit work.

Training: The Office was under budget by \$13k due to the budgeting of \$10k for CPA studies that was not used by staff during the year. The current period training expenses were \$4k more than the prior year actual expenses primarily due to higher fees paid to attend CIIPA conferences and more days attended by staff.

Legal Fees: Legal fees were \$25k under budget. We received legal advice from Campbells and the Attorney General during the year but no charges were made for these services.

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For the year ended 31 December 2019
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NOTE 12: COMMITMENTS – PROPERTY LEASE

The Office has a non-cancellable accommodation lease with Beaufort Investments Ltd. for leased property on the third floor, Anderson Square, Shedden Road, George Town. In September 2014, the Office signed a 5-year lease effective from 1 November 2014 and expiring on 31 October 2019. The Office entered into a new lease for a further five years commencing 1 November 2019.

Type	One year or less \$000	One to five years \$000	Over five years \$000	2019 Total \$000	2018 Total \$000
Non-cancellable accommodation lease	111	425	-	536	79

NOTE 13: CONTINGENT LIABILITIES

At 31 December 2019, there are no quantifiable and non-quantifiable contingent liabilities (31 December 2018: no contingent liabilities).

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

2018 Actual		2019 Actual	2019 Original/Final Budget	2019 Actual vs. Original Budget
\$000		\$000	\$000	\$000
566	Net surplus / (deficit)	436		
	Non-cash movements			
16	Depreciation	16		
56	Increase/(decrease) in payables/accruals	3		
(181)	Increase/(decrease) in other current liabilities	(162)		
(31)	Decrease/(increase) in receivables	18		
9	Decrease/(increase) in prepayments	1		
435	Net cash flows from operating activities	312	180	132

Office of the Auditor General Cayman Islands

Notes to Financial Statements

For the year ended 31 December 2019

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NOTE 15: RELATED PARTY TRANSACTIONS

The Office is controlled by the Cayman Islands Government and therefore government ministries, portfolios, statutory authorities, government companies and other government offices are considered related parties. As indicated in the approved 2019 and 2018 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 2019 and 2018 fiscal years, as described in Note 8.

KEY MANAGEMENT PERSONNEL

As at 31 December 2019 there were three senior managers in the Office; one senior manager resigned during the year (31 December 2018: 4 senior managers). Remuneration includes regular salary, pension contributions, health insurance contributions, acting and duty allowance, and motor car upkeep. Total remuneration for senior management for the year ending 31 December 2019 was \$617k (31 December 2018: \$614k). There were no loans made to key management personnel or their close family members in 2019.

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 to adhere to limits by means of up to date and reliable information systems. These risks are managed as required by the *Financial Regulations (2018 Revision)*.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Office. Financial assets that 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 failed to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands, which OAG management considers financially secure and well managed.

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NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (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 2019 and 31 December 2018, no provision for doubtful debts has been established as none of these assets were impaired and management considered 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 on a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, paying creditors on their due dates, and if the circumstances require, obtaining funding from the Government to temporarily fund any shortfalls the Office may have with its own cash flows. As at 31 December 2019 and 31 December 2018, 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 2019 and 31 December 2018, the carrying value of cash and cash equivalents, accounts receivable, work in progress, accounts payable, employee entitlements, and surplus payable upon demand approximated 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 2019 for the financial statements audits ending 31 December 2018.

Entity	Auditor 31 Dec 2018 to 2022
Ministries, Portfolios and Offices:	
Cabinet Office	OAG
Information Commissioner's Office	N/A
Judicial Administration	KPMG
Ministry of Commerce, Planning and Infrastructure	OAG
Ministry of Community Affairs	OAG
Ministry of District Administration, Tourism and Transport	OAG
Ministry of Education, Youth, Sports, Agriculture and Lands	OAG
Ministry of Finance and Economic Development	OAG
Ministry of Financial Services and Home Affairs	OAG
Ministry of Health, Environment, Culture and Housing	OAG
Ministry of Human Resources and Immigration	OAG
Office of the Complaints Commissioner	N/A
Office of the Director of Public Prosecutions	KPMG
Office of the Ombudsman	KPMG
Portfolio of the Civil Service	OAG
Portfolio of Legal Affairs	KPMG

Entity	Auditor 31 Dec 2018 to 2022
Statutory Authorities and Government Companies	
Auditors Oversight Authority	OAG
Cayman Airways Limited	KPMG
Cayman Islands Airport Authority	OAG
Cayman Islands Development Bank	OAG
Cayman Islands Monetary Authority	OAG
Cayman Islands National Museum	OAG
Cayman National Cultural Foundation	OAG
Cayman Islands Stock Exchange	PwC
Cayman Turtle Farm (1983) Ltd.	Grant Thornton
Children & Youth Services Foundation	KPMG
CINICO	KPMG
Civil Aviation Authority	KPMG
Electricity Regulatory Authority	N/A
Health Services Authority	OAG
Maritime Authority of the Cayman Islands	Grant Thornton
National Drug Council	KPMG
National Gallery of the Cayman Islands	EisnerAmper
National Housing Development Trust	OAG
National Roads Authority	OAG
Port Authority of the Cayman Islands	OAG
Public Service Pensions Board	OAG
Segregated Insurance Fund	OAG
Sister Islands Affordable Housing Development Corporation	KPMG
Tourism Attractions Board	OAG
University College of the Cayman Islands	Grant Thornton
Utility Regulation and Competition Office of the Cayman Islands	OAG
Water Authority of the Cayman Islands	KPMG

APPENDIX 2 - REPORTS ISSUED AND IN PROGRESS DURING 2019

Reports issued during 2019

Reports Issued	Date of Issue	Summary
Public Interest Report - Key Management and Board Remuneration in Statutory Authorities and Government Companies during 2016-17	January 2019	The public interest report provided an analysis of the remuneration of key management personnel in Statutory Authorities and Government Companies (SAGCs) as well as compensation paid or benefits provided to members of SAGC Boards of Directors for the 18-month period from 1 July 2016 to 31 December 2017.
Customs in the Cayman Islands	May 2019	The report assessed the efficiency and effectiveness of Customs at collecting revenue and protecting the border. It also reviewed the Ministry of Finance and Economic Development's role in setting revenue budgets and awarding concessions.
General Report on the results of the 2016-17 financial audits	June 2019	This compendium report summarised the results of the audits of the 44 public sector entities in the Cayman Islands Government (i.e. 16 Ministries, Offices and Portfolios, and 28 Statutory Authorities and Government Companies) for 2016-17 (18-month period).
Government's use of Outsourced Services	June 2019	The report assessed how effectively the Government used outsourced services and ensured that it obtained value for money.
School Education	October 2019	The report reviewed how efficiently and effectively the Ministry of Education, Youth, Sports, Agriculture and Lands was using its resources to maximize student achievement.
Efficiency of Summary Courts	November 2019	The report evaluated the efficiency of the Cayman Islands judicial system in handling Summary Court (including Traffic Court) cases.

Reports in Progress as at 31 December 2019

Reports in Progress	Summary	Progress
General Report on the results of the 2018 financial audits	This compendium report will summarise the results of the audits of the 42 public sector entities in the Cayman Islands Government for 2018.	Reporting Stage. Report was expected to be issued in February 2020.
Efficiency and Effectiveness of OfReg	This audit will assess the effectiveness of the Utility Regulation and Competition Office (OfReg) in its first three years of operation.	Reporting Stage. Report was expected to be issued in March 2020.
Improving Financial Accountability and Transparency	<p>This audit will assess how effective the Cayman Islands Government is at budgeting, financial management and reporting to enhance transparency, accountability and long-term financial sustainability.</p> <p>The audit will focus on progress during the five-year period from 2014 through 2018.</p>	Reporting Stage. Report was expected to be issued in April 2020.

APPENDIX 3 – OUTPUTS DELIVERED 2019

The outputs delivered in 2019 to the PAC as per the Annual Budget Statement for the OAG.

AUD 2	Financial and Performance Audit Reports		
Description Audit reports and advice to the Legislative Assembly relating to: <ul style="list-style-type: none"> • General Reports on 1) Management of executive financial transactions; 2) Financial Management of Entire Public Sector (EPS) or of any Ministry, Portfolio, Statutory Authority or Government Company • Performance audit reports on the economy, efficiency and effectiveness of any Ministry, Portfolio, Statutory Authority or Government Company; and • Other matters of public interest as determined by the Auditor General 			
Measures	2019 Actual	2019 Original Budget	2019 Final Budget
Quantity			
<ul style="list-style-type: none"> • Number of reports issued to the Legislative Assembly • Number of audits in progress / partial reports at year end 	6 3	3-5 2-3	3-5 2-4
Quality			
<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 • Report recommendations are endorsed by the PAC • Report recommendations are accepted by the client 	100% 100% 100% 88%	100% 100% 90-100% 75-100%	100% 100% 90-100% 75-100%
Timeliness			
<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. 	67%* 100%	80-100% 100%	80-100% 100%
Location			
Cayman Islands: Office of the Auditor General, 3 rd Floor Anderson Square, George Town, and Client premises (local & international)	100%	100%	100%
Cost (of producing the Output)	\$709,375	\$760,000	\$760,000
Price (paid by PAC for the output)	\$709,375	\$735,000	\$735,000
Related Broad Outcome: Stable, Effective and Accountable Government			

* Note: It is our practice to release the reports publicly 2 days after we have briefed the PAC on the reports. We were unable to meet the timeliness measures for 2 reports as the PAC did not hold administrative meetings soon after the reports were tabled to the Speaker of the LA.

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 Katrina Thomas at our address, telephone or fax number or alternatively email: katrina.thomas@oag.gov.ky

Freedom of Information

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

Media enquiries

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



April 2020