

Annual Report - 31 December 2022

Providing Value to the People of the Cayman Islands





To help the public
service spend wisely

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TABLE OF CONTENTS

Foreword by the Auditor General	1
Our year in summary	3
About the OAG	4
Public sector audit	4
Statutory basis for our work	4
Who we are and what we do	5
Our vision, mission and strategy	6
Our people	7
Strengthening public services	11
Key achievements in 2022	11
Timely conduct of high-quality, evidence-based, relevant audits.....	12
Impactful recommendations	18
Follow up on implementation of recommendations	20
Driving transparency and accountability in the public service	21
Driving accountability	24
Demonstrating relevance	25
Key achievements in 2022	25
Focusing our work on important and priority issues	26
Communicating clearly and effectively with stakeholders.....	28
Ensure efficient and effective audits, leveraging technology.....	29
Adding value to clients' business.....	30
Contributing to the regional and international audit community	30
Leading by example	33
Key achievements in 2022	33
Independence of the OAG.....	34
Proactively demonstrating good governance and high ethical standards.....	34
Ensuring audit quality	37
Contributing to the community	38

Developing our people	39
Key achievements in 2022	39
Providing continuous learning and development	40
Exemplar employer	41
Developing Caymanians in public sector audit	45
Our resources	46
OAG financial performance 2022 – Highlights	46
OAG staffing	51
Capital resources	53
Financial statements for the year ended 31 December 2022.....	55
Appendix 1 – Entities audited by the Auditor General	82
Appendix 2 – Summary of reports issued and in progress in 2022.....	84
Appendix 3 – Outputs delivered	86

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 2022 in accordance with Section 69 of the *Public Management and Finance Act (2020 Revision)*.

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

For the first time, this year’s annual report is structured around our four strategic priority areas and demonstrates our progress against each in 2022. During the year we continued to deliver strongly and I have included some highlights on page 3. On the financial audit side we had more entity audits to complete than ever before as a consequence of the 2021 post-election restructure. By year end we had completed 44 of those. On the performance audit side, we published one report on the Government’s shift to online services and followed up on several past reports and their recommendations to see what action had been taken.

For me, one of the highlights of 2022 was seeing the Government introduce guidance for civil and public servants in how to behave during the pre-election period. This came about purely as a result of a special investigation I did into “*The Dubai World Expo and Cayman Islands Overseas Offices – examination of potential breaches of Legislation*” the year before. That report found that commitments were given and contracts signed to open those offices to participate in the World Expo in the days after the election had been called. This effectively bound the successive government to these commitments. The new guidance means that during the run up to the next election, it will not be possible to enter into novel or contentious new contracts in the period after the election has been called and there will be explicit expectations about what civil and public servants can and cannot do to ensure a fairer election process and that the existing government are not given any unfair advantages.

2022 was a year with quite an inward focus as I re-organised the office to enable Deputy Auditor General, Patrick Smith, to move away from leading the financial audit practice in accordance with international auditing standards. Patrick had led our financial audit practice for some ten years and we needed to ensure he was given a “cooling-off” period to avoid over familiarity with our clients. From September 2022, and for an initial period of two years, we moved from having two Deputy Auditors General to three. Patrick moved to a role overseeing the backlogged audits, corporate functions and

international work. Winston Sobers will act up into Patrick’s substantive role and Gabriel Ncube and Ruel Huet will act up as Audit Managers during that period covering Winston’s substantive role. This will also provide additional manager support to the backlogged audit jobs, which will now get a dedicated focus, with the aim of clearing them during the next two years, and performance audits. During the year, the OAG welcomed two new Caymanian trainees, Jason Lee and Andrew Browning, and two new Audit Project Leaders, Angeline Ngira and Kevin Bradfield while saying goodbye to Jasmine Williams.

We spent considerable time during the year on the procurement exercise to get private sector auditors to support us in the audit of several Statutory Authorities and Government Companies (SAGCs) for the financial audits for 2023 to 2027. In a tight market with recruitment difficulties, the process ended with only eight financial audits awarded to three private sector firms, Baker Tilly, Grant Thornton and KPMG, with eight entity audits coming back to OAG from the 2023 financial audit onwards. This means that the Office will need to spend 2023 making plans to gear up for this increase in workload from the latter part of 2023 into 2024.

We also had audit professionals come to Cayman in November to independently assess the OAG’s performance against international benchmarks covering the full range of activities. Areas assessed include our professional practices, the OAG’s legal status and independence, and running our business. At the end of the year, the assessors were drafting their report, which we will use to inform our strategic priorities for the next five years.

My Office plays a critical role in the governance framework of the Cayman Islands and holds government to account, especially by working through the Public Accounts Committee (“PAC”). During the year, we supported the PAC with its administrative meetings and hearings on our reports.

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. I end by expressing gratitude to my team, our clients, the PAC and our audit partners for all their commitment to improving financial management and public services in the Cayman Islands through the important work we do.



Sue Winspear, CPFA

Auditor General

24th April 2023

OUR YEAR IN SUMMARY

\$1.2 billion public expenditure audited

44 Audit opinions issued for 2021 financial year

4 Backlogged audits completed (3 public bodies and 1 on the entire public sector)

1 General Report published on the 2021 financial statements audits published

1 Performance audit report published

1 Public interest report published

144 144 performance audit recommendations followed up and progress reported (through 3 reports)

13 PAC meetings and hearings supported

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 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.

STATUTORY BASIS FOR OUR WORK

The Cayman Islands 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.”*

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

The Auditor General's powers and duties are also set out in Part VII of the *Public Management and Finance Act*.

WHO WE ARE AND WHAT WE DO

For the parliamentary system of government to work properly, it must have the public's confidence. The Government's programmes must be effective, transparent, and accountable to merit the public's confidence. One important responsibility of the Parliament is to hold the Government accountable for its management of public resources. This work is conducted primarily through the Parliament's Public Accounts Committee ("PAC").

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

The work and reports of the Office promote 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 uses effective processes to safeguard the resources with which it is entrusted, including compliance with laws, regulations and other relevant authorities.

The Office also does the following:

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

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

Our vision is to help the public service spend wisely.

Our mission is to deliver independent, high-quality public-sector audit that promotes accountability, transparency, integrity, and value in the use of public resources.

Our vision and mission are supported by the five-year strategic plan for 2019–2023, which includes four strategic objectives.

Our strategic objectives

Strengthening the accountability, transparency, integrity and delivery of public services through high quality audits

Demonstrating ongoing relevance to the people of the Cayman Islands, the Parliament and other stakeholders

Encouraging improvement through leading by example

Continuously developing our people

This Annual Report provides a summary of our performance against each of our strategic objectives, and a high-level summary of our resources. Detailed information on our financial performance for the year and financial position at the year-end is included in the audited financial statements on pages 55 to 81.

OUR PEOPLE

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

During 2022, we reorganised our management structure and increased our staffing for a two-year period. The main reason for this was to ensure that the Office complied with international best practice on auditor independence and rotation. As a small audit office, it is challenging for us to meet this good practice requirement. We ensure that our audit staff are rotated on a regular basis to meet this requirement. However, the Deputy Auditor General and Audit Manager have both worked in the Office's financial audit practice for a number of years. After the conclusion of the 2021 financial audit cycle, Patrick Smith, Deputy Auditor General, moved away from overseeing the in-house financial audit practice for a two-year period. From September, Patrick took up the new role of Deputy Auditor General (Corporate and International). Patrick will continue to oversee the outsourced financial audits, and will lead on backlogged audits, with a view to eliminating the backlog within the next two years. To enable this, we have created a dedicated backlogged audits team. Patrick will also retain his corporate responsibilities, including finance and IT and will work part-time on international activities. As a result of this change we made other temporary changes to our management structure for the same two-year period. As a direct result, Winston Sobers was promoted to Acting Deputy Auditor General (Financial Audit) to backfill Patrick's role. Winston will lead the inhouse financial audit practice for the next two years. This change is effective for the financial statements' audits for 2022 that started in September.

In November, we carried out an internal recruitment exercise to appoint two new temporary Audit Managers. These managers will backfill Winston's role, lead the backlog team and provide additional manager capacity for the performance audit practice. We appointed Ruel Huet and Gabriel Ncube to these Acting Audit Manager posts.

Until 31 August, the OAG senior management team was made up of the Auditor General and two Deputy Auditors General. From 1 September, the new management structure came into force.

Our office is organised into two management teams – the Corporate Management Team and Practice Management Team.

Corporate Management Team

The Corporate Management Team (CMT) comprises the Auditor General, Deputy Auditors General and Corporate Services Manager. The CMT sets the policy direction, reviews the financial, staffing and overall performance of the Office and takes all decisions relating to the corporate functions of the OAG.



Sue Winspear

Auditor General

Sue is responsible and accountable for all audit opinions given and the overall management of the Office.

Patrick Smith

Deputy Auditor General (Corporate and International)

Patrick is responsible for overseeing backlogged and outsourced financial audits. His corporate activities include finance and IT. Patrick also works part-time on international activities (for which the Office is paid).



Angela Cullen

Deputy Auditor General (Performance Audit)

Angela is responsible for managing our performance audit practice. Angela is the Engagement Quality Control Reviewer for our in-house financial audits. Her corporate activities include operational planning, performance management and reporting, and media.



Winston Sobers

Acting Deputy Auditor General (Financial Audit)

Winston is responsible for managing the financial audit practice (in-house).





Katrina Thomas

Corporate Services Manager

Katrina manages OAG's corporate functions.

Practice Management Team

The Practice Management Team (PMT), comprises the Auditor General, Deputy Auditors General for Financial Audit and Performance Audit, and the four Audit Managers. The PMT sets the direction and oversees all audit practice related matters, including resourcing decisions and learning and development.



Julius Aurelio

Audit Manager (Quality Assurance and Information Technology)

Julius manages a portfolio of outsourced financial audits and IT audits. He also provides IT support and undertakes quality assurance of both audit practices.

Adrian Murenzi

Audit Manager (Performance Audit)

Adrian manages performance audits and a portfolio of in-house financial audits.





Gabriel Ncube

Acting Audit Manager (Financial Audit and Performance Audit)

Gabriel manages a portfolio of in-house financial audits and performance audits.

Ruel Huet

Acting Audit Manager (Financial Audit and Backlog Audits)

Ruel manages the dedicated backlog audit team and a portfolio of in-house financial audits.



OAG management was supported during the year by a team of 15 audit staff and an administrative officer. The audit team includes 12 Audit Project Leaders, who are fully qualified members of professional accountancy bodies, an Auditor and two Audit Trainees. The Auditor and one Audit Trainee are part-qualified. We provide more information about our staff in **Developing our People**.

STRENGTHENING PUBLIC SERVICES

Our first strategic objective is strengthening the accountability, transparency, integrity and the delivery of services in the public sector.

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 protected by 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.

We have set ourselves the following five goals to achieve this strategic objective:

1. Timely conduct of high-quality, evidenced-based, relevant audits.
2. Impactful recommendations.
3. Follow up on implementation of recommendations.
4. Drive transparency in the public service.
5. Drive accountability.

These goals are supported by a range of actions and success measures.

KEY ACHIEVEMENTS IN 2022

In 2022 we:

- ✓ Completed the annual audit of the 2021 financial statements for 44 entities; all had an unqualified audit opinion.
- ✓ Completed three entity audits from prior years; all had unqualified audit opinions.
- ✓ Completed the 2019 audit of the entire public sector and issued an adverse audit opinion.
- ✓ Carried out two special investigations.
- ✓ Published one performance audit report and one public interest report.
- ✓ Published three reports following up on 144 past OAG and PAC recommendations.
- ✓ Published the annual General Report summarising the 2021 financial audits.

TIMELY CONDUCT OF HIGH-QUALITY, EVIDENCE-BASED, RELEVANT AUDITS

The core activities of the OAG are the annual, financial audit of the Government and its agencies; and performance audits reporting on the economy, efficiency and effectiveness of public spending to the Parliament. Through these we hold the Government to account for its spending and for providing value for money in public services.

FINANCIAL AUDIT

Our financial audit work helps the Parliament hold organisations to account for around \$1.2 billion of annual expenditures, over \$3.5 billion in total assets and \$1.6 billion in total liabilities. Our audits provide independent assurance to the Parliament on how public money has been spent, how revenue has been generated, and whether assets have been safeguarded and liabilities are fully recognised.

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

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

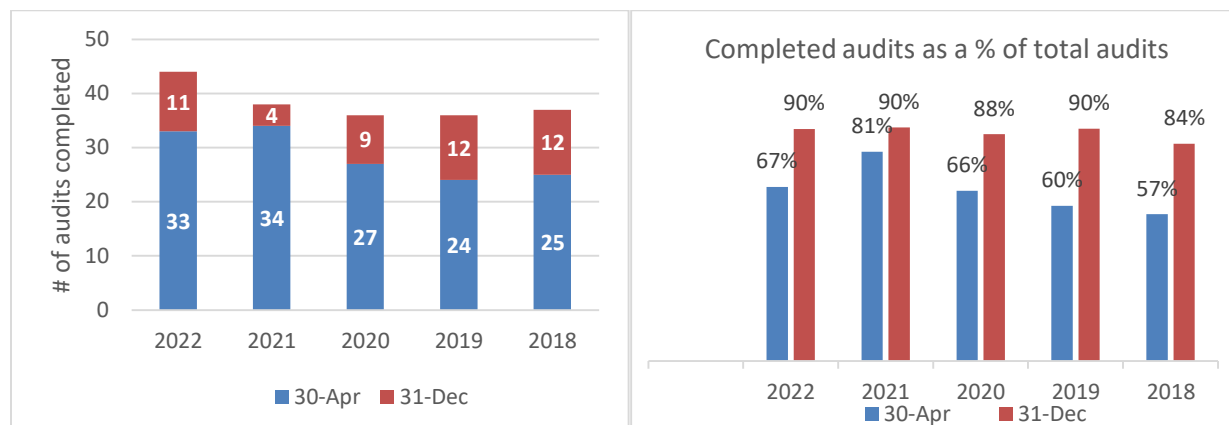
FINANCIAL STATEMENT AUDITS FOR 2021

As reported in my last annual report, the number of public sector audits increased significantly in 2021. The Parliament was established as an entity in its own right from January 2021. From July 2021, the Cayman Islands Government was reorganised as a result of the 2021 elections. The reorganisation created six new entities and discontinued three entities. The remaining core government entities either continued or were restructured. Overall, the number of audits to be completed for the 2021 financial year increased to 49, from 42 in the prior year. On an ongoing basis, the number of core government entities increased from 16 to 20.

By the end of the statutory deadline of 30th April, we had completed the 2021 financial statements audits and issued audit opinions for 33 entities. By the end of the year, we completed the audits and issued audit opinions for 44 entities (Ministries, Portfolios and Offices and Statutory Authorities and Government Companies (SAGCs)) (2021: 37). Of these 44 audits, 20 were of core government entities and 24 were SAGCs. The OAG team completed 30 audits and 14 were completed by audit firms.

Exhibit 1 shows the number and percentage of audits completed in each of the five years 2018 to 2022. It highlights that we completed more audits during 2022 than in any of the previous four years.

Exhibit 1 – Number and percentage of audits completed in 2022 and previous four years



Of the 44 audit opinions issued, all were unqualified. This is an improvement on the prior year, when I issued a qualified audit opinion for the University College of the Cayman Islands (UCCI).

REPORTING ON THE OUTCOME OF THE 2021 FINANCIAL AUDITS

Of the 44 entity audits completed, we had reported the findings of the audit to those charged with governance for 27 clients by the end of the year. We did not report any issues arising from the audit for six entities. At the year-end a further four reports were issued and awaiting management response; one of these was issued in early 2023.

FINANCIAL STATEMENT AUDITS FOR 2022

During the year we started our 2022 financial statements' audits. We started planning our audits of the 2022 financial statements in September 2022 and carried out interim audit work for the majority of entities between October and December. The audits will be completed in 2023.

ENTIRE PUBLIC SECTOR (EPS) FINANCIAL STATEMENTS

The EPS financial statements include all of the executive expenditures of Government, which include transfer payments, executive expenses and loan transactions. The EPS financial statements also include coercive revenues (that is revenue earned by the core government using the coercive power of the state for which no direct exchange of service occurs). Neither executive expenditures nor coercive revenues are reported in the individual entity financial statements.

During 2022, we completed the audit of the EPS financial statements for financial year 2019, issuing an adverse audit opinion. At the end of the year, the audits of the EPS financial statements for 2020 and 2021 were incomplete; the 2020 audit was in progress, and the 2021 audit had yet to start.

The reasons for the EPS audit continuing to be backlogged are twofold. Firstly, because the Ministry of Finance and Economic Development did not have final numbers because of delays with some financial

statements' audits. Secondly, OAG did not have sufficient resources to work on these during peak audit periods for interim and final audits.

Exhibit 2 summarises the progress that we have made with the audits of the EPS financial statements over the years. Our audit opinions on the EPS financial statements moved from disclaimed to adverse in 2013–14 but have remained adverse since then. We continue to issue adverse audit opinions as there are some significant issues that need to be addressed. We reported on these issues in our most recent General Report on the 2021 financial statements that we published in October.

Exhibit 2 – Progress with the EPS audits

Year	Date audit completed or progress	Audit opinion	Tabled in the Parliament
2021	Not started		
2020	In progress		
2019	5 July 2022	Adverse	
2018	10 August 2021	Adverse	8 December 2022
2016-17	9 September 2019	Adverse	8 December 2022
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	

We previously expressed concerns about the transparency and accountability of the audited EPS financial statements as there were significant delays in tabling these in the Parliament. We are pleased to note that the Government tabled the EPS financial statements for 2016–17 and 2018 in December 2022. The EPS financial statements for 2019 that were signed off during 2022 have still to be tabled. Three sets of signed EPS financial statements from earlier years (2012–13, 2011–12, and 2009–10) have yet to be tabled also.

BACKLOGGED AUDITS

During 2022 we continued to work cooperatively with the Government to try and clear the backlog of audits. We completed three entity audits from prior years, issuing unqualified audit opinions for Cayman Airways Limited (2020), Cayman Islands Airport Authority (2018) and the Ministry of Health, Environment, Culture and Housing (2016-17).

As at 31 December 2022, a total of 13 financial statements' audits, including EPS, were outstanding. This is higher than the previous year (9) (Exhibit 3).

Exhibit 3 – Number of backlogged audits at the period end, 2018–2022

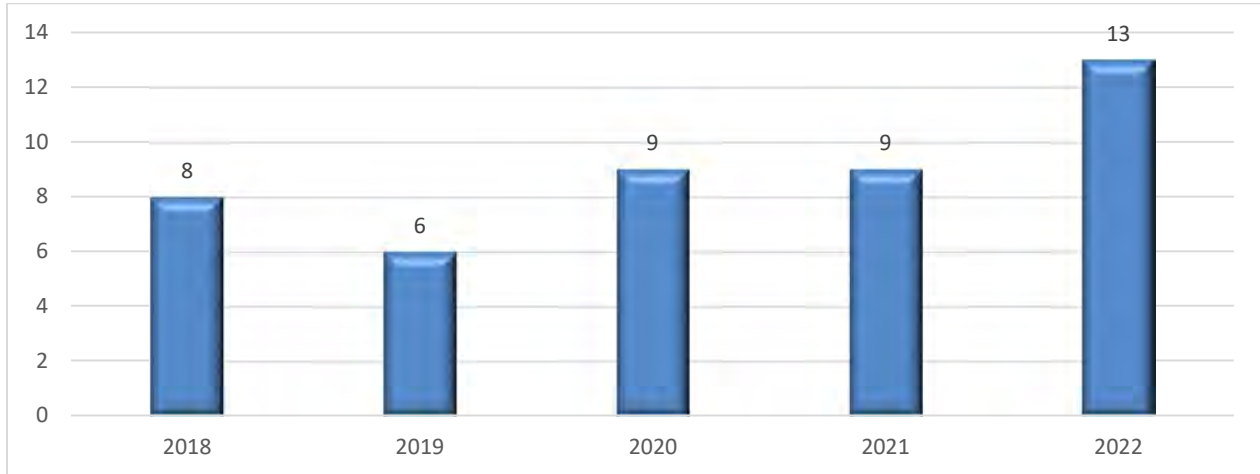


Exhibit 3 shows that we have consistently had a number of backlogged audits over the last five years. Despite our best efforts, we have been unable to completely eliminate the backlog with our current resources. During 2022, we decided to create a dedicated team of staff to work on backlogged audits. The team will be made up of two dedicated Audit Project Leaders, supported by other staff at certain times of the year, and an Audit Manager. The team will be led by Patrick Smith. This dedicated team will allow us to continue to work on backlogged audits throughout the year, including during our busy interim and final audit periods. Our intention is to eliminate the backlog over the next two years, but this is contingent on the availability and cooperation of the respective clients.

The 13 backlogged audits at the end of 2022, covered six entities and the EPS (Exhibit 4).

Exhibit 4 – Backlogged audits at the end of 2022

Entity	Year(s) Outstanding				Total
	2021	2020	2019	2018	
Ministry of Health, Environment Culture & Housing	✓	✓	✓	✓	4
Cayman Islands Airport Authority	✓	✓	✓		3
Cayman Turtle Conservation and Education Center Limited	✓	✓			2
Entire Public Sector	✓	✓			2
Ministry of Financial Services & Commerce	✓				1
Ministry of Investment, Innovation & Social Development	✓				1
	6	4	2	1	13

OTHER AUDIT AND STATUTORY WORK

During 2022, the Office completed the review of water rates for the Water Authority of the Cayman Islands as required by The Water Authority Regulations.

SPECIAL INVESTIGATIONS



In March, we issued our report *Review of the Procurement of Lateral Flow Tests*. In late November 2021, the Cabinet asked the Auditor General to carry out an investigation on problems encountered with the Government's procurement of lateral flow tests. The investigation focused on establishing the facts of the procurement. We made three recommendations as a result of the investigation.

The report was tabled in the Parliament in December 2022.

During the year, we carried out another investigation, which resulted in a report entitled *The Speaker's Trip to Honduras with Minister J. Ebanks*. This report was not published but provided to H.E. The Governor as a private report.

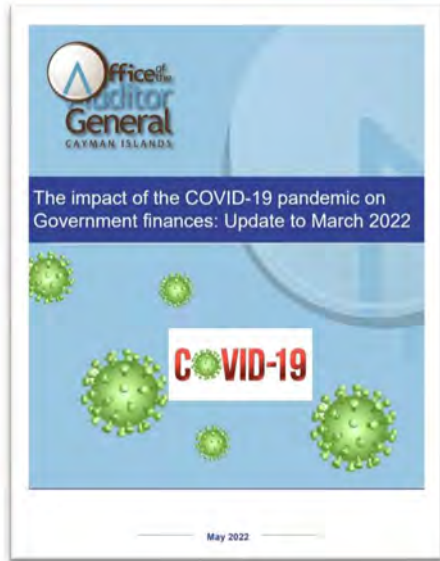
PERFORMANCE AUDIT

A fundamental part of our remit is to conduct audits of whether the Government and the wider public sector carries out their business economically, efficiently, and effectively.

We carry out our performance audits in accordance with the ISSAIs. 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 for core government, confirm the factual accuracy of the information in the report before it is finalised and issued to the Parliament.

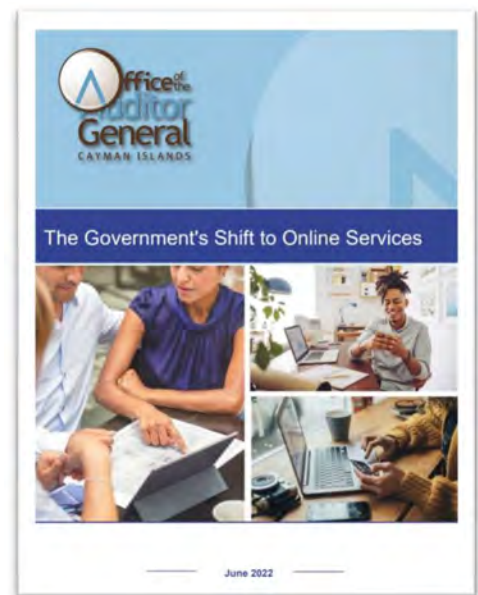
The Office may publish public interest reports. These reports focus on important issues that the Office considers to be of public interest. They report facts only and do not include any conclusions or recommendations.

During 2022 we issued one performance audit report and one public interest report.



In May, we issued the public interest report *The impact of the COVID-19 pandemic on Government finances: update to March 2022*. This was the second public interest report on the costs of the COVID-19 pandemic. The report estimated that the total financial impact of the COVID-19 pandemic on Government finances in the two years from March 2020 to March 2022 was at least \$333 million. We estimated that the Government incurred expenditure of \$202 million responding to the pandemic. Of this, the Government had spent \$132 million on the pandemic by September 2021, and a further \$70 million was expected to be spent by March 2022. The Government also lost out on around \$131 million in revenues during the pandemic. Most of this foregone revenue was because the borders were closed which significantly reduced the amount of tourism-related revenues from accommodation and cruise ships.

In June, we issued *The Government's shift to online services*. This performance audit assessed the Government's efficiency and effectiveness in the delivery of online services. The report concluded that the Government had shifted many government services online since it first established its e-government initiative in 2010. The Cayman Islands compares well globally in making government services available online. However, the report also concluded that the Government needed to do more to improve strategic direction and oversight for the e-government programme. For example, there is no strategy for e-Government. A strategy was drafted in 2015 but never finalised. The Government started to draft a new strategy in 2021 while we were doing our audit but this has yet to be finalised. We also concluded that it was unclear if the Government had achieved value for money from its investment in shifting services online because the costs and benefits were unknown.



As at 31 December 2022, work was underway on a further three performance audits, and one public interest report. These were:

- Cayman Airways Limited.
- Improving employment prospects for Caymanians.
- Rebuilding and diversifying the economy.
- A public interest report on the progress with the United Nations Sustainable Development Goals that are directly focused on the environment.

We reported last year that we issued a draft report on *The Integrated Solid Waste Management System for the Cayman Islands (Regen)* in December 2021. We did not do any further work on this report during 2022. We will publish the December 2021 report and an update after the Government has reached financial close on the contract. As at the end of December 2022, the deadline for financial close was 31 May 2023.

The performance audit Improving Financial Accountability and Transparency – Long-Term Financial Sustainability continued to be on hold during 2022. It will be restarted in 2023.

IMPACTFUL RECOMMENDATIONS

An essential element of our role in strengthening public services is by providing insight to decision makers and making impactful recommendations to the bodies that we audit. It is important that our recommendations are accepted and implemented by bodies.

We are pleased to note that during 2022 the Government and public bodies have responded to a number of findings and recommendations that we have previously made.

FINANCIAL AUDIT

The findings and recommendations from our financial audits should help focus attention on, and stimulate improvement in, governance, internal controls and enhance financial management. They should also ensure that government entities are using good quality information to make decisions.

In my annual General Report summarising the annual financial audits for 2021, I included formal recommendations for the first time. The report included seven recommendations, which were intended to further improve financial leadership and management and the quality of performance reporting to increase transparency. We discuss that report in more detail later.

During the year, we were pleased to note the following actions in response to findings and recommendations made in our financial audits:

- The Health Services Authority introduced parallel running of a new IT system in response to our suggestion. This parallel running identified issues with the new IT system, which resulted in its full implementation being delayed until the issues were resolved.
- In September, the National Roads Authority (NRA) announced that the Board had approved a new policy to clarify who may give instructions to the NRA. This was in response to a concern raised by the OAG in our 2021 audit.

PERFORMANCE AUDIT

Our performance audit work aims to improve the Government's governance structures and financial management. It also helps public service to become more efficient and effective and achieve better value for money.

Our performance audit report, *The Government's shift to online services* included 17 recommendations; management accepted 16 recommendations. The PAC held a witness hearing on this report in October 2022. As a result of the PAC hearing, management accepted the one recommendation that it had previously rejected. At December 2022, the PAC was considering its own report, which will be tabled in the Parliament in due course.

During 2022, the Government used the draft report *The Integrated Solid Waste Management System for the Cayman Islands (Regen)* that we provided to them in December 2021 to inform further negotiations with the contractor before it finalises the contract.

During 2022, the Government issued the following new guidance resulting from previous recommendations made by the Office:

- In May 2022, the Government issued new guidance on public body mergers. This guidance was in response to a recommendation made in our performance audit report '*The efficiency and effectiveness of the Utilities Regulation and Competition Office (OfReg)*' in June 2020.
- In our performance audit report '*Government's use of consultants and temporary staff*' in February 2018 we recommended that the Government should develop guidance to help identify which contracts should be reviewed by lawyers or be subject to legal advice prior to signing. In our January 2022 report, *Follow Up on past PAC recommendations 2022 – Report 1*, we assessed that no progress had been made with implementing the recommendation. In June 2022, the Government issued guidance on legal advice for contracts.
- In our November 2021 report, *HSA Outpatient pharmacy services*, we recommended that standards of practice for pharmacy technicians be finalised, published and brought into force as soon as possible. In October 2022, the Cabinet approved these standards.
- In December 2022, the Government issued interim guidance on e-services projects. This guidance was in response to recommendations made in our June 2022 report *The Government's shift to online services*.

SPECIAL INVESTIGATIONS

In December 2022, the Government issued new guidance for public servants during a period of election sensitivity. This guidance was a direct result of the recommendation that I made from my special investigation into the overseas offices and Expo in 2021. The guidance states that during the run up to an election, it will not be possible to enter into novel or contentious new contracts in the period after the election has been called. It also sets out explicit expectations about what civil and public servants

can and cannot do to ensure a fairer election process and that the existing government are not given any unfair advantage.

FOLLOW UP ON IMPLEMENTATION OF RECOMMENDATIONS

During 2022, we published three separate reports following up on the implementation of past recommendations on performance audits made by the OAG and PAC.



In January, we published *Follow Up on past PAC Recommendations 2022 – Report 1*. That report followed up on the recommendations relating to three previous OAG and PAC reports. The three reports were *Government’s use of consultants and temporary staff* (February 2018), *Government’s use of outsourced services* (June 2019) and *Fighting corruption in the Cayman Islands* (November 2019). The report followed up on a total of 61 recommendations. Of these, we assessed that 37 (61%) had been implemented and a further nine (15%) were in progress. Overall, we assessed progress with implementing the recommendations in all three reports as Green – Significant progress.

In February, we published *Follow Up on past PAC Recommendations 2022 – Report 2*. That report followed up on the recommendations relating to a further three previous OAG and PAC reports. The second report covered *Major Capital Projects Follow Up* (October 2017), *Customs in the Cayman Islands* (May 2019) and *School Education* (October 2019). We assessed the Government’s progress with implementing the recommendations in the first two reports as Red – limited Progress; we assessed the third report as Amber – some progress. The report followed up on a total of 54 recommendations. Overall, we assessed that almost two-thirds of the recommendations had not been implemented or only some progress had been made or was planned.





In September, we published *Follow Up on past PAC Recommendations 2022 – Report 3*. That report followed up on the recommendations relating to two previous OAG and PAC reports. The reports assessed were *Workforce Planning and management in the Cayman Islands Government* (April 2018) and *Efficiency of Summary Courts* (November 2019). We assessed progress with implementing the recommendations in the first report as Amber – Some progress. We assessed the second report as Red – Limited progress. The report followed up on a total of 29 recommendations. We assessed that three-quarters had not been implemented or only some progress had been made or was planned.

We discuss the PAC’s actions with these reports later.

In the first report, in January 2022, we raised concerns that the Government had continued to fall behind in responding to PAC reports. At that time, the Government had yet to respond to seven PAC reports dating back to 2018. By the time of the third report, in September 2022, we were pleased to note that the Government had started to tackle the backlog in delayed responses to PAC reports. By September, Government’s response to six PAC reports were late. However, the Cabinet has approved the responses for four of those reports and were awaiting a Parliament meeting to be scheduled to table their formal responses.

DRIVING TRANSPARENCY AND ACCOUNTABILITY IN THE PUBLIC SERVICE

A key focus in strengthening the public sector is ensuring that the Government and each entity operates using the highest level of transparency.

CONDUCTING OUR AUDITS IN ACCORDANCE WITH INTERNATIONAL PROFESSIONAL STANDARDS AND IN A TIMELY WAY

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.

Four local audit firms conducted fifteen financial statement audits on behalf of the Auditor General for the 2021 financial year. See Appendix 1 for a listing of who conducted these audits. The Office outsourced these audits on five-year appointments for the financial years 2018 to 2022.

During 2022, the Office carried out a procurement exercise to appoint auditors for the five financial years from 2023 to 2027. This is the biggest procurement that our Office undertakes. As a result of the exercise, we appointed three audit firms to carry out the audits of six public sector bodies. The outcome of the procurement exercise was approved by the Public Procurement Committee in December 2022.

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.

SUPPORTING GOVERNMENT TO IMPROVE THE QUALITY OF ITS FINANCIAL REPORTING

In October, the Office published *Financial Reporting of the Cayman Islands Government: General Report 31 December 2021*. The General Report summarised the financial performance of core government entities and SAGCs for the 2021 financial year. The General Report concluded that while financial reporting by individual public bodies had improved, the Government needed to focus on the entire public sector account.

In the report, we highlighted some significant issues that had affected the whole of government, including accounting for the government reorganisation after the 2021 election and the revaluation of property, plant and equipment. We also reported on gaps in financial leadership by the Ministry of Finance in relation to these issues. We also raised concerns about the implementation of the *Public Authorities Act* and the harmonising of terms and conditions of employment for public sector staff. As reported earlier, the report included seven recommendations.

Exhibit 5 summarises the audit opinions issued over the last five years 2018 to 2022 by the year end (for financial years 2016–17 to 2021). The exhibit shows that the quality of annual financial statements has improved, with most entities now receiving unqualified audit opinions. As reported earlier, of the 2021 audits completed by the year end, all received an unqualified audit opinion.

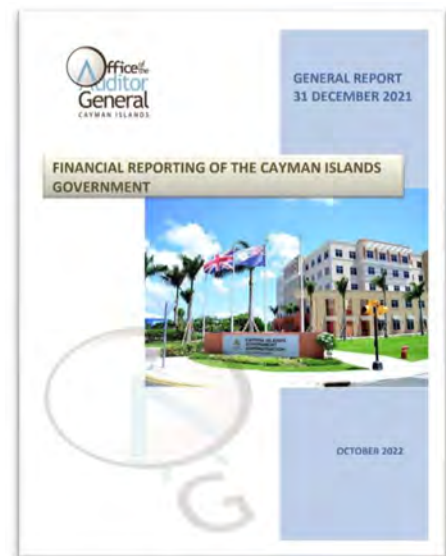
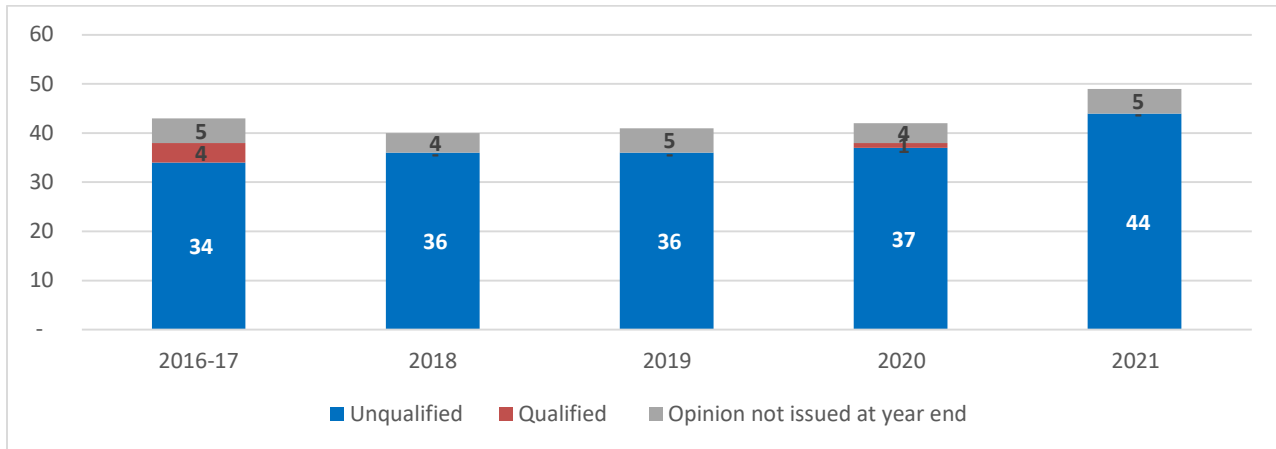


Exhibit 5 – Audit opinions issued by yearend on entity financial statements in the five years 2018 to 2022, for financial years 2016-17 to 2021



An important part of accountability and transparency is the reporting of performance and publication of annual reports and financial statements. We reported that public bodies routinely prepare annual reports to accompany their financial statements. We noted that despite the tabling of annual reports in the Parliament improving for the 2019 and 2020 financial years, this had deteriorated slightly for 2021, with 24 of 44 entities whose audits had been completed, had their annual reports for 2021 tabled as at 31 December 2022.

Exhibit 6 provides a summary of the number of financial statement audits completed, the number of backlogged audits, and the number of financial statements and annual reports tabled in the Parliament, at the end of 2022. This shows that for the five financial periods 2016-17 to 2021, progress has been made on tabling entities' Annual Reports in a timely manner, but improvement is still needed.

Exhibit 6 – Status of public body audits for the five years 2016-17 to 2021, and Annual Reports tabled in Parliament as at 31 December 2022

Year	Total number of entities	Audits		Annual Reports/Financial Statements tabled in the Parliament	
		Completed	Outstanding	Number	Percentage of completed audits with Annual Reports tabled
2021	49	44	5	24	55%
2020	42	39	3	31	79%
2019	41	39	2	32	82%
2018	40	39	1	32	82%
2016-17	44	44	0	34	77%

Note: Financial statements are audited during the following financial year i.e., the 2021 financial statements were audited during 2022.

DRIVING ACCOUNTABILITY

It is important that public sector officials respond appropriately and take actions on our findings and recommendations. We promote our findings and recommendations through the different accountability levels.

At the highest level, we work with the Parliament's Public Audit Committee (PAC) to ensure that they hold the Government accountable. We work closely with the PAC to promote effective management and greater accountability for public resources. See the next section on **Demonstrating Relevance** for a summary of our work with the PAC.

At the government level, the Auditor General attends the Government's Audit Risk and Assurance Committee (ARAC) meetings. The ARAC was set up in 2019 as a result of recommendations made by our Office. The ARAC is intended to provide the Deputy Governor, as head of the civil service, with independent and objective advice on the comprehensiveness, reliability and integrity of assurances on government, risk management and control for the Cayman Islands Government. During the year the Auditor General or Deputy Auditors General attended the quarterly meetings of the ARAC.

Staff from the Office attended board and audit committee meetings of Statutory Authorities and Government Companies as necessary during the year.

DEMONSTRATING RELEVANCE

Our second strategic objective is demonstrating ongoing relevance to the people of the Cayman Islands, the Parliament and other stakeholders.

We aim to demonstrate our relevance by considering 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.

We place great importance on relationships with all of our stakeholders. Our stakeholders are the Parliament and particularly the PAC, elected and appointed officials, public entities, professional organisations, and all people of the Cayman Islands.

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.

We have set ourselves the following five goals to achieve the strategic objective to **demonstrating relevance**:

1. Focusing our work on issues of national importance or priority, and at a point in time when the impact is greatest.
2. Communicate clearly and effectively with stakeholders.
3. Ensure efficient and effective audits, leveraging technology where possible.
4. Adding value to the client's business.
5. Actively contributing to improving the regional and international audit community.

These goals are supported by a range of actions and success measures.

KEY ACHIEVEMENTS IN 2022

In 2022 we:

- ✓ Achieved our performance outputs as agreed with the Parliament.
- ✓ Supported the PAC at 13 meetings (seven administrative meetings, and six hearings on our reports) and in preparing four PAC reports.
- ✓ Consulted with stakeholders on our five-year performance audit programme.
- ✓ Published all reports and press releases on our website and promoted these on social media.

- ✓ Received satisfactory scores from our surveys of audit clients on completed financial audits and performance audits.
- ✓ Agreed an IT strategy and reviewed options for our IT platform.
- ✓ Contributed to and supported remotely a range of regional and international audit developments.

FOCUSING OUR WORK ON IMPORTANT AND PRIORITY ISSUES

We aim to be responsive to the challenges faced by the public, and the expectations of different stakeholders, and to emerging risks and changes in the environment we work in. It is essential, therefore, that we have continuous and effective dialogues with our stakeholders.

SUPPORTING THE PAC

Our most important relationship is with the PAC and the support we provide to enable it to carry out its mandate.

During 2022, the PAC held a total of 13 meetings. Seven of these were administrative meetings. The PAC also held six days of hearings on five of our reports to discuss and gather further evidence before preparing its own reports to the Parliament (discussed below). The Auditor General and other members of our Office attended all PAC meetings in 2022.

During the year we presented eight OAG reports to the PAC. These included (see Appendix 2 for detailed information on the reports published in 2022):

- two general reports summarising the financial statements audits from 2020 and 2021;
- one performance audit report;
- one public interest report;
- one special investigation report; and
- three reports following up on past PAC recommendations.

During the year, the PAC held six public witness hearings on four of these reports and on one OAG report published in 2021.

The PAC decided not to hold any hearings on the first report following up on past PAC recommendations (January 2022). Instead, the PAC asked relevant Chief Officers to provide written updates on those recommendations that we had assessed as Red – limited or no progress. As a result of the responses received, the PAC prepared its own report, making additional recommendations to the Government. The PAC report was tabled in the Parliament on 9 June 2022.

During the year, the PAC considered our report, *Financial Reporting of the Cayman Islands Government – General Report 31 December 2020*, that we published in December 2021. The PAC decided not to hold any hearings on this report. Instead, the PAC Chairman wrote to the Cayman Turtle Conservation and

Education Centre Ltd., and University College of the Cayman Islands asking for updates on issues highlighted in the OAG report. As a result of the responses, the PAC prepared its own report and tabled this in the Parliament on 9 June 2022.

In January, the PAC held two hearings on our performance audit report *HSA Outpatient Pharmacy Services* that we published in November 2021. The PAC prepared its own report, which endorsed the OAG's 19 recommendations and made a further 7 recommendations. The PAC tabled its report in the Parliament on 8 June 2022.

In May, the PAC held a hearing, on the OAG's second follow-up report, *Follow-up on past PAC Recommendations 2022 – Report 2* (February 2022). The hearing focused on the two reports assessed as limited progress, that is, *Customs in the Cayman Islands* (May 2019) and *Major Capital Projects Follow Up* (October 2017). The PAC prepared its own report, which endorsed our recommendations and made a further five recommendations. The PAC tabled its report in the Parliament on 7 December 2022.

In October, the PAC held a hearing on the performance audit report, *The Government's shift to online services*, that we published in June 2022. At the end of 2022, the PAC was considering its report, which will be finalised and tabled in 2023.

In November, the PAC held a hearing in November 2022 on the third follow-up report, *Follow-up on past PAC Recommendations 2022 – Report 3* that we published in September. The hearing focused on the report that we assessed as limited progress, i.e., *Efficiency of Summary Courts* (November 2019). At the end of 2022, the PAC was considering its report, which will be finalised and tabled in 2023.

In November, the PAC held a hearing on *Financial Reporting of the Cayman Islands Government – General Report 31 December 2021* (October 2022). At the end of 2022, the PAC was considering its report, which will be finalised and tabled in 2023.

In February, the Auditor General hosted a small reception for Mr, Ezzard Miller, the previous Chairman of the PAC. The event was to recognise Mr. Miller's significant contribution to public service audit through his Chairmanship of the PAC over the years.

MEETING OUR PERFORMANCE AGREEMENT

Our Performance Agreement with Parliament for 2022 was to issue 3–5 reports to Parliament and have a further 2–3 audits in progress. As outlined in the previous section, **Strengthening Public Services**, we met this requirement. During 2022, we issued seven reports and had a further four audits in progress, and one on hold, at the yearend.

PERFORMANCE AUDIT PROGRAMME

We continually review and refresh our performance audit (PA) programme to ensure that it is focused on important and high-risk issues. The OAG has a five-year rolling PA programme that we update annually.

In summer 2022, we reviewed and updated our five-year PA programme. The main aim was to confirm the new performance audits that we planned to start during 2023. In October, we consulted with the PAC on the proposed audits in the programme. In November, we issued a public consultation on the five-year rolling PA programme. In December, we discussed the proposed audits included in the programme with Chief Officers in the Cayman Islands Government. At the end of December, the OAG was reviewing all consultation responses and considering the performance audits to add for 2023. The programme will be published on the OAG website in 2023.

COMMUNICATING CLEARLY AND EFFECTIVELY 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 Parliament. These activities help overcome resistance and remove barriers to improvement.

COMMUNICATING WITH STAKEHOLDERS

During 2022 the OAG team continued to meet and consult with stakeholders. We provided information and advice on many issues around areas including financial accounting, procurement, governance and programme management. Specific activities undertaken included the following:

- The Auditor General had fortnightly meetings with the Governor and monthly meetings with the Deputy Governor. She also met with many Chief Officers of the various Ministries and Portfolios and CEOs/Managing Directors of the SAGCs.
- In January, the Auditor General had a working lunch, hosted by the Governor, with UK Government Minister Milling and Chairs of the Commissions in the Cayman Islands.
- The Auditor General, and her Deputies as required, attended quarterly meetings of the Government's Audit and Risk Assurance Committee.
- As highlighted above, we consulted the PAC, Chief Officers and public about our forward performance audit programme.
- We engaged with senior civil servants and senior public officers to discuss issues and risks relating to our performance audits.
- The Deputy Auditor General (Financial Audit) and his team also met with the Financial Secretary, Board members and other key stakeholders throughout Government to apprise them of financial statement and compliance issues noted during the completed financial statements audits as well as emerging matters and the implications for future audits.

- The Auditor General and Office also continued to maintain strong working relationships with key partners such as the Office of the Ombudsman, Anti-Corruption Commission, the Financial Crimes Investigation Unit, Internal Audit Services, Cayman Islands Institute of Professional Accountants (CIIPA) and private sector audit firms.

HOW WE COMMUNICATE

We issue press releases to all of the media outlets in the Cayman Islands for all of our published reports and other information that we want to put into the public domain. During the year, we distributed six press releases, together with our published reports (see previous section on **Strengthening Public Services**) to the media. In November, we issued a press release announcing the public consultation on our performance audit programme.

In 2022, the OAG was mentioned in 102 news articles by media outlets in the Cayman Islands. These articles highlighted a wide variety of our reports from 2022 and previous years, and evidence given to PAC hearings. The media also promoted the Office's public consultation on the PA programme.

Some of our reports attracted significant media coverage. For example, our special investigation on the Government's overseas offices and Expo that we did in 2021 continued to have significant coverage during the year with 29 news articles. The media also reported on progress with recommendations made by our office as far back as 2015 (social welfare system). In October, the Premier referred to work done by our Office that was being used to influence negotiations on the Regen contract.

We also engage with the wider public through social media and website. We publish all of our reports and press releases on our website and promote these through social media. Our website can be found at (www.auditorgeneral.gov.ky/). Our main social media activity is through our Facebook page (www.facebook.com/Office-of-the-Auditor-General) and our LinkedIn account (<https://www.linkedin.com/company/office-of-the-auditor-general-cayman-islands>).

ENSURE EFFICIENT AND EFFECTIVE AUDITS, LEVERAGING TECHNOLOGY

During the year, we made significant progress in developing our IT strategy and policies. We agreed the following six strategic objectives for IT for 2022 and 2023:

- Establishing and clarifying the corporate IT platform, governance and processes.
- Streamlining audit management software.
- Implementing data analytics to inform our audit risk assessments.
- Launching a new website and enhancing our social media engagement.
- Improving our audit knowledge base.
- Implementing business management software.

We agreed a roadmap for further development and implementation of the strategic objectives. In relation to the first objective, we carried out an options appraisal for the preferred IT platform, which identified two options to be explored further during 2023.

During the year we also developed a new IT policy. This will be finalised and approved in early 2023.

In fiscal year 2021, with the assistance of a private audit firm we completed IT assessments of the core government infrastructure, IRIS and other frequently used applications in eight selected audit clients. During 2022 our financial audit strategy incorporated the findings of IT work executed in 2021 and additional IT assessments were conducted, with the scope of work being expanded to include 14 SAGCs and five core government entities.

ADDING VALUE TO CLIENTS' BUSINESS

One of our purposes is to assist in identifying opportunities for our clients to improve their operations and effectiveness.

We reported earlier some of the new guidance that the Government has issued as a result of our work.

Our usual practice is to ask audit clients for feedback on our work. We do this for both financial audit and performance audit. During 2022, we asked financial audit clients for feedback on the 2021 audits. The feedback was positive. Clients commented on professional relationships, open communication and a transparent and collaborative approach. We also received positive feedback on the performance audit that was published during the year, *The Government's shift to online services*.

CONTRIBUTING TO THE REGIONAL AND INTERNATIONAL AUDIT COMMUNITY

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

The Office has continued to participate in a range of regional and international work during 2022.

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.*”



In May, the Auditor General attended the XII CAROSAI Congress in Aruba. The Congress was focused on audit impact and included presentations on small island challenges, enhancing accountability, INTOSAI IDI programmes and digital technology. The Auditor General moderated a session on audit impact.

OUR WORK GLOBALLY

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

- The Auditor General moderated an online global session of Auditor Generals and Parliamentarians for the IDI where around 70 countries were represented.
- As reported earlier, Patrick Smith, Deputy Auditor General, changed role from September 2022. His new Corporate and International role means that he will work part-time (70 days a year) as an international consultant for IDI. In September, Patrick joined the IDI working group on Risk Assessment.
- Angela Cullen, Deputy Auditor General (Performance Audit) continued to support the IDI Strategy, Performance Measurement and Reporting (SPMR) programme. In June, she attended a workshop in Oslo. She also continued to support the State Audit Office of Georgia in developing its approach, by providing feedback and advice through regular online meetings and reviewing draft documents.

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

- The Auditor General continued to participate in a number of leadership group sessions for the Auditor Generals of the UK Overseas Territories. She attended virtual meetings throughout the year covering a range of topics.
- In December, the Auditor General attended the UKOT Better Governance Forum in London. The Auditor General was joined at the forum by the Hon. Roy McTaggart, JP, Chairman of the Public Accounts Committee and Ms. Susan Burke, Clerk to the Public Accounts Committee.
- Throughout the year, staff attended a UKOT webinar on statistical sampling.
- As part of the programme the UK National Audit Office provided technical support for the development of our financial audit manual. Two Audit Managers continued a mentoring programme with two directors at the UK National Audit Office to help them develop their leadership and management skills and support them in the technical aspects of their roles.



LEADING BY EXAMPLE

Our third strategic objective is encouraging improvement through 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.

We aim to be agile, adapt to change and lead by example as individuals and as an organisation.

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.

The Office's core values are aimed at leading by example.

We have set ourselves the following three goals to achieve the strategic objective to **leading by example**:

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

These goals are supported by a range of actions and success measures.

KEY ACHIEVEMENTS IN 2022

In 2022 we:

- ✓ Obtained a clean audit opinion on our 2021 financial statements, with no control points raised by the auditor.
- ✓ Proactively disclosed information on our website in relation to senior management.

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

- ✓ Finalised and launched our performance audit manual, which ensures compliance with the ISSAIs.
- ✓ Continued to develop our financial audit manual to ensure they are in line with current good practice.
- ✓ Updated relevant policies and published these on our website.
- ✓ Reviewed and updated our risk register quarterly, in line with the risk management framework.
- ✓ Completed annual ethics training for all staff.
- ✓ Worked with IDI independent assessors on our five-year SAI PMF assessment.

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 2017, we carried out an analysis of the Office's independence against the independence principles for supreme audit institutions, as part of the SAI PMF (Supreme Audit Institutions Performance Measurement Framework) assessment. The key challenge identified, at that time, was ensuring that the OAG is an independent entity in both substance and form. On the basis of this analysis a number of key changes to the statutory provisions relating to the establishment of the OAG were identified that should be developed, revised or strengthened.

These included the following:

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

These are to be achieved through the establishment of an Office of the Auditor General Act. During the year, we engaged legal services to support the development of this legislation.

PROACTIVELY DEMONSTRATING GOOD GOVERNANCE AND HIGH ETHICAL STANDARDS

We aim to set a benchmark for the public sector in the way that we govern, manage and use public resources. We must ensure that we are open, transparent and accountable, and promote the standards that we expect of others.

FINANCIAL AND PERFORMANCE MANAGEMENT AND REPORTING

The corporate management team reviews our expenditure monthly, and financial performance quarterly. The Office received an unqualified audit opinion on our 2021 financial statements, which were submitted and audited ahead of the statutory deadlines.

Our annual operational plan sets out the activities needed to deliver against our five-year strategic plan. The corporate management team reviews our performance on a quarterly basis. We use this information to make decisions and set priorities.

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



EFFECTIVE RISK MANAGEMENT

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

The Office has identified six risks and has categorized these risks across four broad categories: 1) strategic, 2) operational, 3) financial, and 4) employees. Our approach to managing risks includes considering the controls in place to help mitigate these risks, and the likelihood and impact of their

occurrence. Our risk assessment has identified one risk as moderate and five were assessed as low. The moderate risk is that the Office could be compromised due to breaches to our information technology systems and theft, loss and unauthorized access to data. We actively monitor this risk, and action is being taken to reduce exposure to it. For 2022, all risks were effectively managed and mitigated with no instances of significant events or deviations from our operational plans.

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

BEING OPEN, TRANSPARENT AND ACCOUNTABLE

During the year, we continued to be open and transparent in our activities through the following:

- Proactively disclosing key information about key management personnel, that is the Auditor General and Deputy Auditors General. Disclosures include travel expenses, hospitality and gifts received and provided, and registers of interest.
- Publishing the minutes of our corporate management team meetings.
- Reporting our performance through quarterly reports and our annual report and accounts.
- Reviewing, maintaining and developing our policies, and publishing these on our website.
- Maintaining and developing our website and social media pages.

OPERATING TO THE HIGHEST ETHICAL STANDARDS

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>.

We provide annual ethics and anti-fraud training for all of our staff. In February, we included an ethics session at our staff retreat. Staff were reminded of ethics and anti-fraud requirements at the annual CIIPA summit in December.

COMPLYING WITH INTERNATIONAL STANDARDS

During the year, we started preparing for the development of our next strategic plan. The first step in this process was to carry out a SAI PMF (Supreme Audit Institution's Performance Measurement Framework) assessment. The SAI PMF provides a holistic evaluation of SAIs' performance. It covers all functions, audit and non-audit, including independence and legal framework, governance and ethics, audit quality and reporting, financial management, assets and support services, human resources and training, and communication and stakeholder management. Good practice states that SAI's should complete an assessment every five years to demonstrate improvement and identify the priority areas for improvement in the future. The OAG last did a SAI PMF assessment in 2017, which was used to inform our current strategic plan.



The IDI (INTOSAI Development Initiative) provided two external assessors to carry out this independent assessment. In November, the two IDI assessors visited our Office to carry out the review. By the end of the year, they provided our draft assessment scores and were drafting the report. We will use these results to inform our next strategic plan.

ENSURING AUDIT QUALITY

We are required to carry out our financial audit work in compliance with International Standards on Auditing (ISAs). We have also incorporated some elements of the International Standards of Supreme Audit Institutions (ISSAIs), which expand on the ISAs for application in the audit of government entities. Our performance audit practice complies with the ISSAIs for performance audit.

In September, we launched our performance audit manual. The manual is based on both the IDI and UKOT manuals, adapted slightly for the Cayman Islands, and is fully compliant with the ISSAIs.

During the year, we continued to develop our financial audit manual, with the support of the UK NAO through the UKOT programme. At the end of the year, the manual was in the final stages of review.

Unfortunately, the full implementation of our quality assurance framework has continued to be delayed due to other priorities and finite management resources. In 2021 we created a new manager post to focus on quality assurance and information technology. However, the corporate management team decided to prioritise the development of our IT strategy and policies during 2022. We will focus on improving our quality assurance framework in the year ahead.

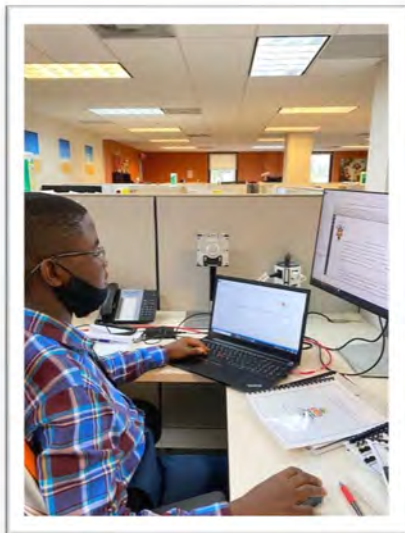
CONTRIBUTING TO THE COMMUNITY

During the year, our staff continued to contribute to a wide range of community initiatives and projects.

In March, the Auditor General and Corporate Services Manager attended events as part of International Women's month.



In June, we provided one-week work experience for Aleque-Benjamin Bennett, a year 10 student from Clifton Hunter High School.



During the year, Sue Winspear and Angela Cullen volunteered at three Breast Cancer Foundation (BCF) events. In September, they volunteered at an event at the Harquail Theatre, in October they volunteered at the BCF annual Gala dinner, and in December they volunteered at the BCF Christmas party.

In December, Desmond Mutava and Winston Sobers competed in the Cayman Islands marathon.



DEVELOPING OUR PEOPLE

Our fourth strategic objective is continuously developing our people.

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

We have set ourselves the following three goals to achieve the strategic objective to **developing our people**:

1. Providing continuous learning and development.
2. Exemplar employer.
3. Developing Caymanians in public sector audit.

These goals are supported by a range of actions and success measures.

KEY ACHIEVEMENTS IN 2022

In 2022 we:

- ✓ Achieved an overall engagement index of 82% in the annual staff survey.
- ✓ Updated our learning and development plan.
- ✓ Provided development opportunities through a range of training courses, workshops and webinars, including technical updates and report writing training for all audit staff.
- ✓ Provided development opportunities through an outwards secondment, and internal opportunities.
- ✓ Restructured at the management level for a two-year period, including three internal promotions to DAG (FA) and two new Audit Managers.
- ✓ Successfully completed four recruitment campaigns, appointing two new audit trainees, six Audit Project Leaders (two staff starting in 2022 and a further four to start in early 2023) and the two new Audit Managers noted above.
- ✓ Completed annual performance appraisals, using the OAG competency framework, for all staff.
- ✓ Updated the OAG competency framework and performance appraisal template, and introduced interim performance assessments.
- ✓ Recognised long-service of four staff.

PROVIDING CONTINUOUS LEARNING AND DEVELOPMENT

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

During 2022, we completed our annual review and update of our Learning and Development plan. This plan covers 12 months but spans two financial years as it is prepared after the annual performance appraisals that are completed mid-year. Our assessment of learning and development needed and what to prioritise was based on both development needs identified by staff during their performance appraisals and at training events during the year, and development needs identified by management. The plan aims to ensure that all staff are provided with suitable training opportunities to ensure continual professional development and other opportunities to support them to learn and grow, and help us deliver on our strategic priorities.

During the year our staff participated in a number of training and development events, as part of our annual plan, including the following:

- In January and December, all staff attended the annual update on International Public Sector Accounting Standards (IPSAS) for public sector accountants and auditors, organised by CIIPA.
- In February, staff participated in the OAG's annual retreat, which is essential time away from the office. Our retreat focused on preparing staff for the upcoming financial audits, a session on career planning and a case study on ethics.
- In March, some staff attended a workshop on audit sampling delivered through the UK Overseas Territories project.
- In April, our IT and Quality Assurance Manager attended virtually the CCOLA Performance Audit symposium, which focused on IT and cyber-security.
- In September, we held our annual interim audit launch. In this event we covered a range of topics including audit risks and issues, improvements in our audit approach and methodology, including the new financial audit manual, and various technical updates.
- In October, all of our audit staff attended a three-day course on effective report writing. The course was delivered by an external trainer commissioned through the Canadian Audit & Accountability Foundation (CAAF). The training will help our staff write more effective reports.



- In December, all of our audit staff attended the CIIPA Summit. The Summit included sessions on: government and economic updates; leadership, recruitment and retention, Environment Sustainable Goals, digital assets and ethics.

In August 2022, Katrina Thomas, our Corporate Services Manager started a six-month secondment to the Cayman Islands Monetary Authority (CIMA). Katrina's role was to carry out audits on registered persons' and licensees' anti-money laundering policies and procedures. During this time, we provided an opportunity for two of our Audit Project Leaders to operate as Finance Manager, with each doing the role for a three-month period. This provided them with an understanding of the day-to-day operations of the organization, including financial decision making and the financial reporting processes. Being Audit Project Leaders with significant experience of audit, this opportunity enabled them to acquire a rounded and complete overview of public organisations' financial preparation and reporting processes. This is in line with the learning and development aspect of the OAG competency framework of providing opportunities to staff to equip them with sufficient knowledge and experience.

In the 2022 staff survey (more detail on this in the next section) we scored 90 percent for Learning and Development.

The OAG is an approved employer of the Association of Chartered Certified Accountants (ACCA), recognising the opportunities for professional development that the Office provides to team members who are ACCA qualified. During the year, we amended our staff performance appraisal template to ensure continued ACCA accreditation.

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

EXEMPLAR EMPLOYER

To effectively deliver on our mandate, it is essential that the Office has a motivated, skilled and high-performing workforce that can effectively meet the challenges demanded by our diverse range of work.

We provide information on our staffing profile in **Our Resources**, later in this report.

WORKFORCE PLANNING AND ACTIVITIES

We did not achieve our target of developing a workforce strategy during the year because of other work commitments. Despite this, we continued to plan our workforce needs to ensure that we had sufficient resources to deliver on our objectives.

As reported earlier, we made changes to our management structure during the year, which had an impact on the rest of our workforce. As a result of these management changes, we carried out an

internal recruitment campaign for temporary audit managers. Two staff were promoted into these temporary posts. As highlighted earlier, one manager has a portfolio of backlog and current financial audits and the other has a joint portfolio of financial and performance audits.

In addition to the changes above, we carried out a further three external recruitment campaigns during the year.

- In May, we appointed two new audit trainees. Both audit trainees are young Caymanians and started in July.
- In July, we appointed two new Audit Project Leaders, both of whom started in October. In December, we completed a recruitment campaign for a further four new Audit Project Leaders. Two of these staff will backfill the posts of staff that have been temporarily promoted to audit manager. The other two staff were recruited for the dedicated backlog team. All four staff will start with the OAG in February 2023. Our recruitment campaigns for Audit Project Leaders attracted good quality candidates. However, we struggled to recruit staff on island due to market pressures that affected the availability of qualified staff and remuneration packages.

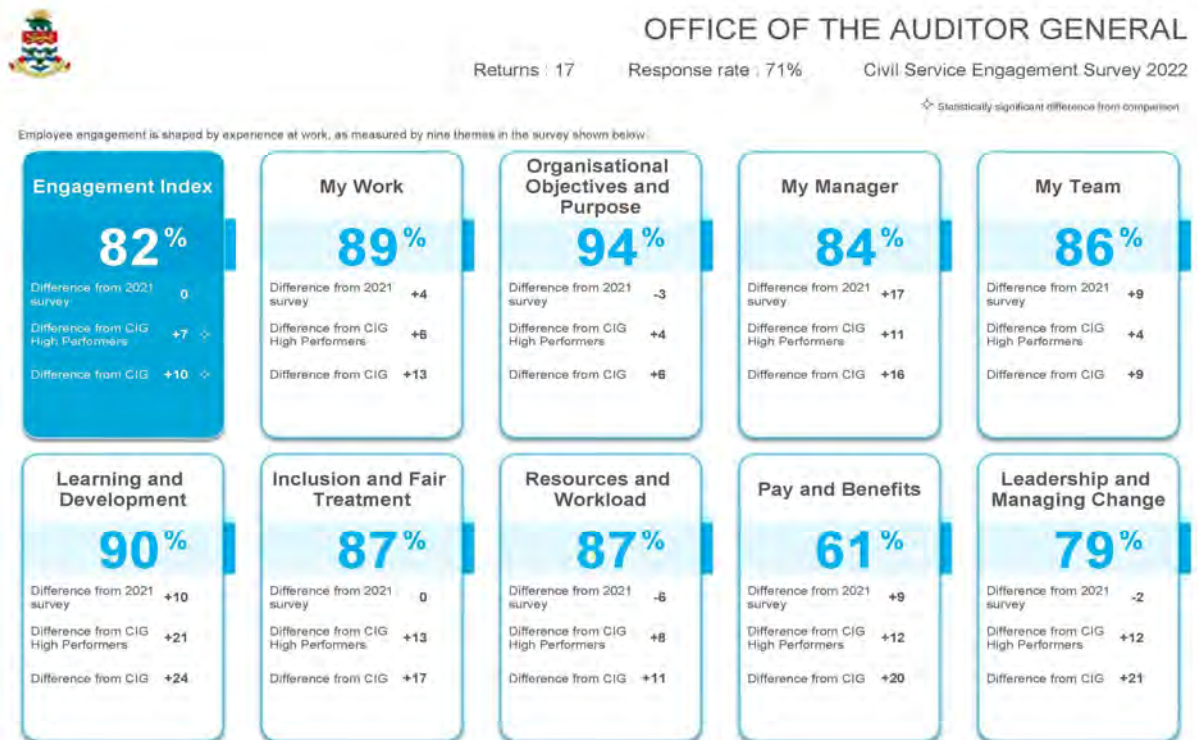
During the year two staff left the OAG's employment. The Auditor General held exit interviews with both staff.

STAFF ENGAGEMENT SURVEY

As in previous years, the Office participated in the Cayman Islands Government staff engagement survey in late 2022. This allows us to measure our own staff engagement and benchmark against the rest of the civil service. In 2022, 71 per cent of our staff responded to the survey (2021: 80 per cent).

Our overall employee engagement was 82 per cent (2021: 82 per cent). We were pleased to note that most engagement indicators had improved on the previous year. However, three engagement indicators were lower. We plan to explore the reasons for the dip in these engagement indicators and identify any actions needed to address these in early 2023. Exhibit 7 provides a summary of the staff survey results.

Exhibit 7 - OAG Employment Engagement Survey 2022



STAFF PERFORMANCE APPRAISALS

Staff performance is managed through our performance management process. This process sets objectives, assesses performance and helps identify areas for development or training needs for professional development. I reported last year that we had updated our competency framework and performance appraisal forms to align with the global competency framework for public sector auditors. This moved us away from the competency framework used across the civil service, but is more appropriate for our staff as it is tailored for public sector auditors.

We completed our annual performance appraisals, using the OAG competency framework, over the summer.

During the year, we reviewed and updated the competency framework and performance appraisal template for 2022-23. We expanded the information in personal development plans to ensure compliance with ACCA accreditation. We also introduced formal interim appraisals with staff being asked to complete their self-assessments in December. Managers will provide staff feedback on their interim assessments in early 2023.

RECOGNISING OUR STAFF

The OAG has a long-service award scheme to formally recognise employees' contributions to the Office at five-year intervals. During the year, three staff celebrated their five-year anniversaries with the OAG: Angela Cullen in January, Gabriel Ncube in April, and Adrian Murenzi in October. In March, Patrick Smith celebrated his 20-year anniversary.



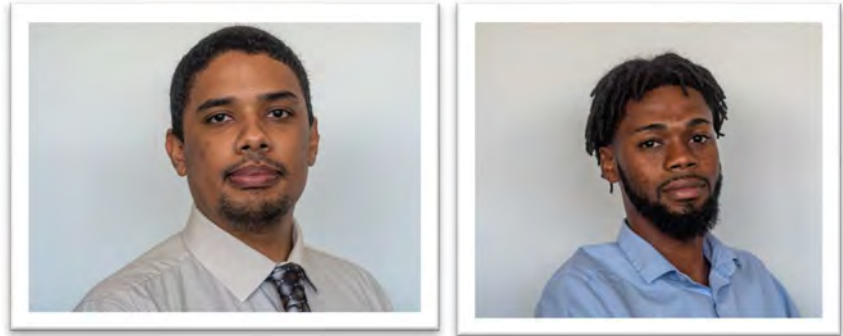
In July, we celebrated the successful completion of the 2021 audits with a staff social event, including laser tag and lunch. In November, we held an OAG cultural lunch to celebrate the diversity of our staff. Our staff cooked or brought national dishes from each of the 11 countries represented. Some staff wore their national dress and we presented on our national cultures.



DEVELOPING CAYMANIANS IN PUBLIC SECTOR AUDIT

The Office had 23 staff at the end of the year, of which six are Caymanian. Of these, two are corporate and administrative staff, one is senior management and the remaining three are audit staff (one auditor and two audit trainees).

Our aim is to have a pipeline of Caymanians to fill OAG roles as vacancies arise. To help achieve this, we recruit only Caymanians to our audit trainee posts and support them with a comprehensive training programme and their professional accountancy qualifications. During the year, we recruited two new audit trainees – Jason Lee and Andrew Browning. One trainee was part-ACCA-qualified on joining the OAG Office and the other started studying for the ACCA during the year.



During the year, we continued to support the auditor with her international diploma in financial crime management, which she was awarded in June.

As reported above, our Corporate Services Manager started a six-month secondment during the year. This provided her with the opportunity to develop skills in compliance and investigative anti-money laundering procedures.

OUR RESOURCES

This section provides a high-level summary of our use of financial, human and capital resources.

Detailed information can be found in the full audited accounts of the OAG, which are in the next section of the report at pages 55 to 81. The audited financial statements also provide a variance analysis of actual financial performance to budget. Performance against our output agreements are in Appendix 3.

OAG FINANCIAL PERFORMANCE 2022 – HIGHLIGHTS

The OAG is a trading entity, which means we generate revenues from the services that we provide. These revenues are expected to cover our operating costs.

FINANCIAL PERFORMANCE

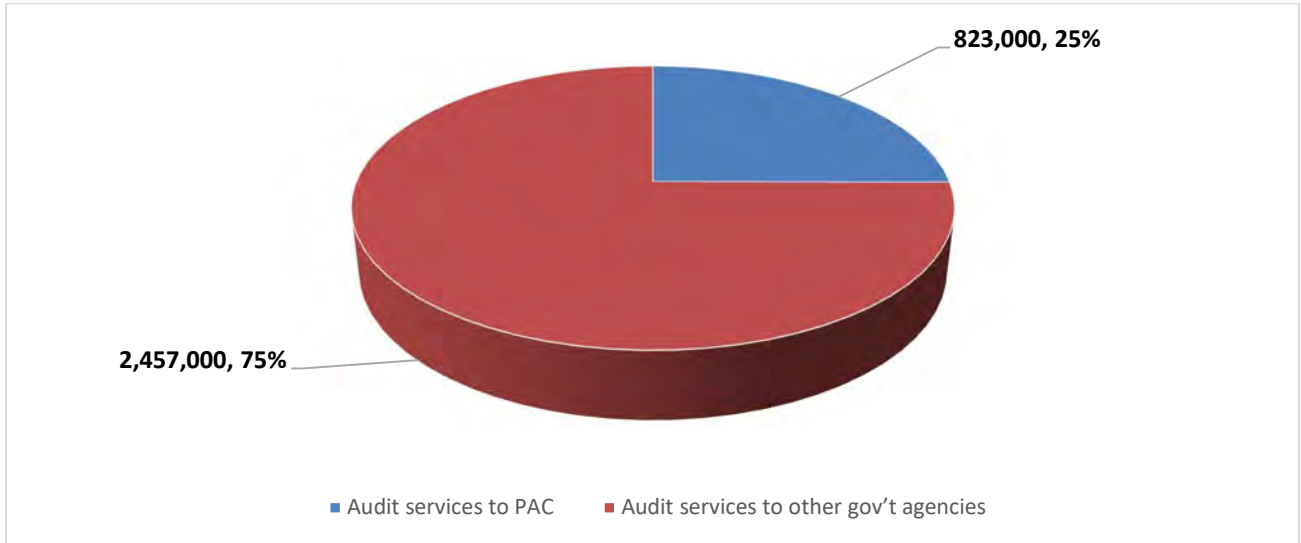
Overall, the OAG made a surplus of \$406,000 in 2022.

In 2022, the OAG generated a total of \$3,280,000 in revenues. The OAG has the following two sources of revenue:

- **Audit services to PAC.** These revenues are charged to the PAC for performance audits, public interest reports, reports following up on previous recommendations, the annual general report on financial audits, and support to the PAC. The Auditor General's entire salary costs are recharged to the PAC.
- **Audit services to other government agencies.** These revenues are charged to audited entities for the annual audit of financial statements. We charge an annual audit fee to each of the ministries, portfolios, offices, SAGCs and for the EPS financial statements.

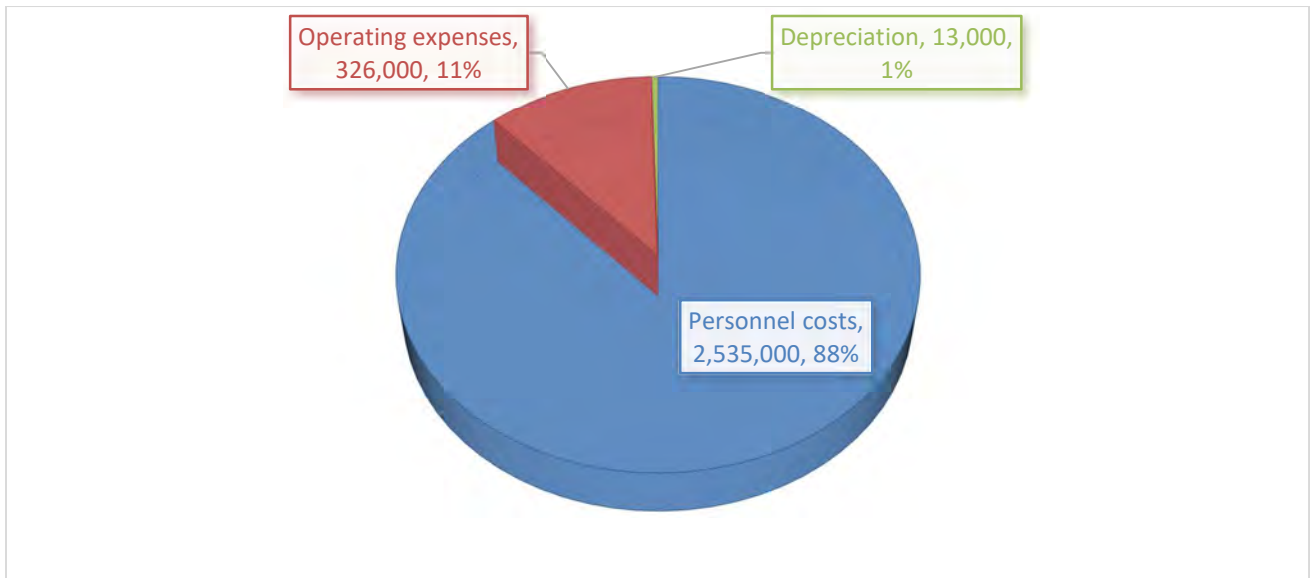
Exhibit 8 shows that the majority of our revenue in 2022 was from fees for the annual financial audits (\$2,457,000; 75%). The remaining 25 percent of revenue was paid by the PAC for reports tabled in the Parliament (\$823,000).

Exhibit 8 - OAG revenues 2022



During 2022, the OAG incurred total expenditure of \$2,874,000. Exhibit 9 shows that the majority of this expenditure relates to personnel costs (\$2,535,000; 88%). The remainder was on operating expenses (\$326,000; 11%) and depreciation (\$13,000; 1%).

Exhibit 9 – OAG expenses 2022



For transparency purposes, we provide further detail on some elements of our operating expenses below.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2022 and 2021 are disclosed below in bands of CI\$5,000.

Post	2022		2021	
	Remuneration \$000	Benefits \$000	Remuneration \$000	Benefits \$000
Auditor General	180-185	50-55	175-180	50-55
Deputy Auditor General (Corporate & International Audit)	140-145	35-40	120-125	30-35
Deputy Auditor General (Performance Audit)	130-135	25-30	110-115	30-35
Deputy Auditor General (Financial Audit) (from September 2022)	35-40	5-10	-	-

From 1 September 2022, the OAG had four senior managers (2021: three). This was as a direct result of the management restructure outlined earlier. We have disclosed the fourth senior manager's remuneration for the four months September to December 2022.

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

During the year, salaries were uplifted in line with the uplifts for all civil servants. In June, July and August, two members of senior management received honorariums of \$150 per month. This was awarded by the Government to offset high fuel costs. In September, all salaries were uplifted by a 2 percent cost of living adjustment and in December, three senior staff were awarded one additional increment, equivalent to 2.5 percent.

PROFESSIONAL SERVICES AND SERVICE CONTRACTS

During the year we spent \$80,502 on professional services and other service contracts.

Vendor	Service	Fees & related costs (\$)
Prepress Projects Ltd	Report Editing	1,193
Savannah Law	Legal fees	34,586
Campbells	Legal fees	144
Baker Tilly (Cayman) Ltd.	OAG Financial Statement Auditor	15,965
Kirk Office	Maintenance of office equipment	4,679
Netclues	Website Hosting and Maintenance	2,775
Reliable	Janitorial Services	13,498
Security Centre	Security Services	1,346

During the year, we did not engage any consultants or specialist services to support our audit work. We continued to use external editors to ensure our reports are written in plain language.

During the year, we paid Savannah Law and Campbells a total of \$34,730 in legal fees. The Attorney General also provided us with legal advice but did not charge for this.

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

TRAVEL AND SUBSISTENCE

The Office undertakes travel to conduct audit work, enhance competencies and skills of staff, and support the development of public sector auditing across the Caribbean region and internationally.

The table below sets out the trips we have taken over the past two financial years. We have included all travel, some of which was funded by external parties. OAG staff travel was limited in 2021 because of the COVID-19 pandemic.

OAG travel	
2021	2022
Travel and Subsistence costs paid by OAG– \$4K	Travel and Subsistence costs paid by OAG – \$6k
Cayman Brac – inventory counts for 2020 (January 2021) and 2021 (December 2021)	Cayman Brac – Inventory counts for 2022 (December 2022)
	Aruba - CAROSAI Congress.
	Norway, Oslo – INTOSAI IDI Strategic Planning, Management and Reporting programme workshop (All costs covered by IDI).
	Norway, Oslo – INTOSAI IDI Risk Assessment workshop (All costs covered by IDI).
	United Kingdom, London – attendance at training course.
	United Kingdom, London – UKOT Better Governance Forum, and onsite visit to London Office for audits of Cabinet Office and Ministry of Transport & Tourism (the majority of costs covered by the UK Government).

FINANCIAL POSITION

The OAG’s financial position at the end of December 2022 was total net assets of \$688,000.

We ended the year with total assets of \$2,269,000 of which \$2,218,000 was current assets.

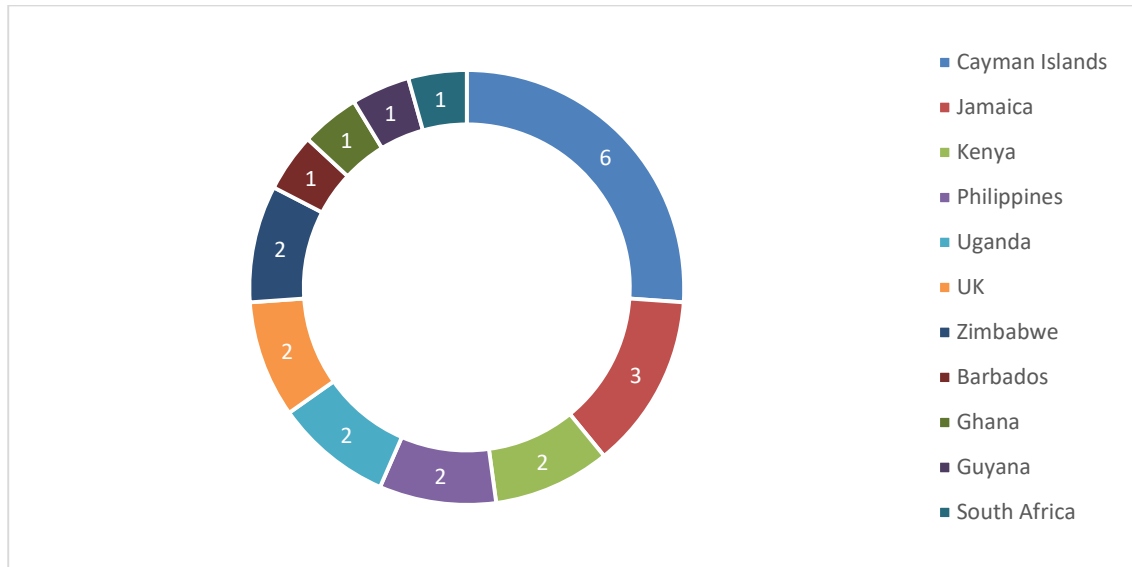
Our total liabilities at the yearend were \$1,581,000. The majority of this relates to surplus payable. We did not repay any surplus in 2022.

Financial Performance ratios	Actual	Original/Final Budget	Variance
Current Assets: Current Liabilities (Working Capital)	1.40	1.62	(0.22)
Total Assets: Total Liabilities	1.44	1.68	(0.24)

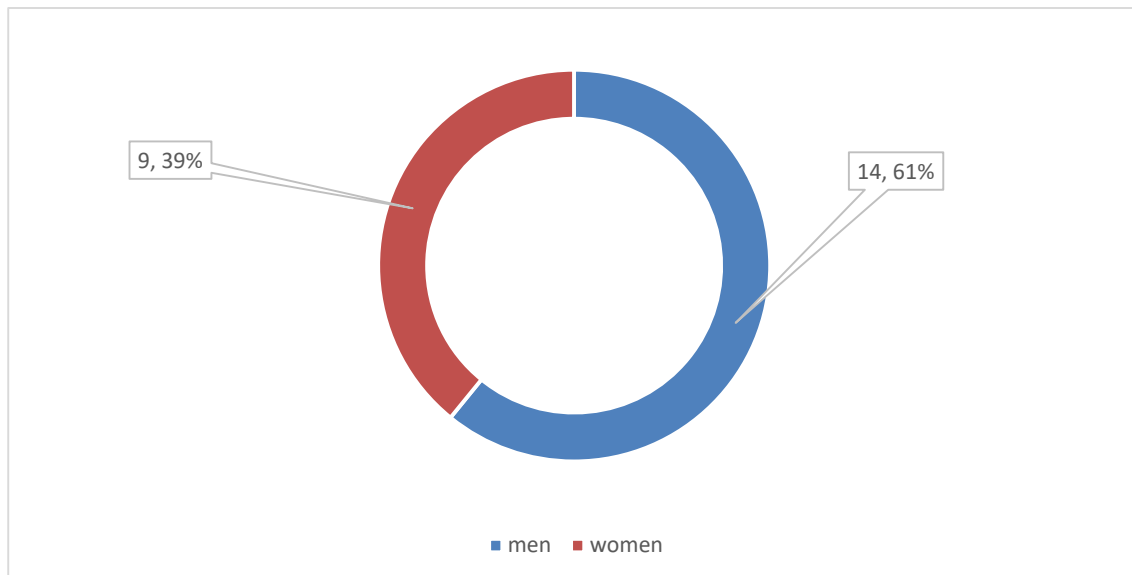
These ratios indicate that we were able to meet our current obligations as at 31 December 2022. The key contributor to the variance between the budgeted and actual ratio is the actual amount of surplus payable, which was 122% higher than the amount budgeted.

OAG STAFFING

As at 31 December 2022, the OAG had 23 staff (budgeted staffing establishment was 23 FTE) with a diverse staffing profile. (2021: 22). Overall, our staff were from 11 different countries, including six (26 per cent) Caymanians (2021: 27 per cent).



The gender balance of OAG staff has changed over the last year. At the end of December, our 23 staff were 14 men and 9 women. (2021: 11 men, 11 women). Within senior management two were women and two men.



STAFFING CHANGES DURING THE YEAR

During the year, two staff left the office (2021: 2). Both were audit staff.

As outlined earlier, during the year, we made temporary changes to our management structure for the two years ahead. We created a new temporary Deputy Auditor General (Corporate and International) post. Patrick Smith moved into this post in September, and Winston Sobers was temporarily promoted to Deputy Auditor General (Financial Audit). In addition, we decided to create a dedicated backlog team and started to recruit staff for this team.

As a result of these management changes we carried out an internal recruitment campaign for temporary audit managers. Two staff were promoted into these temporary posts. Ruel Huet will manage a portfolio of backlog and current financial audits and Gabriel Ncube will have a joint portfolio of financial and performance audits.

In addition to the changes above, we carried out a further three external recruitment campaigns during the year. In May, we appointed two new audit trainees. In July, we appointed two new Audit Project Leaders, both of whom started in October. In December, we completed a further recruitment campaign for a further four new Audit Project Leaders. Two of these staff will backfill the posts of staff that have been temporarily promoted to audit manager. The other two staff were recruited for the dedicated backlog team. All four staff will start with the OAG in February 2023.

In August, our Corporate Services Manager went on a six-month secondment to the Cayman Islands Monetary Authority (CIMA) (2021: one employee on secondment). During this period, we appointed two staff to carry out the finance manager role for three months each. This provided them with valuable experience and development. We reallocated the HR and office management responsibilities among corporate management team.

AVERAGE LENGTH OF SERVICE

At the end of December, the average length of service of all OAG staff (number of years employed) was 6.9 years. By type of staff this was:

Senior management	11.9 years (4 staff)
Professional and technical	5.5 years (17 staff)
Corporate and administrative	9 years (2 staff)

SICK LEAVE ANALYSIS

During 2022, our sickness absence rate was 2.9%. This is consistent with previous years, with the exception of 2020. Overall, OAG staff took 138 sick days in 2022; an average of 6.57 days per person.

	2018	2019	2020	2021	2022
Number of days	136	139	75	138	138
Full Time Equivalent (FTE) staff*	20.29	19.58	19.75	21.02	21.08
Average sick days/FTE	6.70	7.09	3.78	6.55	6.57
Sickness absence rate **	2.98%	3.18%	1.67%	2.98%	2.90%

* Full-Time-Equivalents – includes staff who have resigned during the year and new starts, pro-rated for the periods they were in post.

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

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

For the year ending 31 December 2022, staff took 138 days off sick resulting in a sickness absence rate of 2.90 per cent. Within these days a total of 15.6 days were COVID-related sickness. The Office’s sickness absence is consistent over the past five years, but higher than 2020 (1.67%).

Most employees recorded some sick leave during 2022. Of the staff in post at the end of December, two staff had no sick days, 12 recorded up to five sick days, and four had 5–10 days sick leave. Four staff had more than 10 days sick leave, two of these were periods of extended sick leave. With the exception of 2020, some staff have been granted extended sick leave in each year.

CAPITAL RESOURCES

The Office’s total assets at 31 December were \$2,269,000. This is largely made up of current assets, and specifically cash and cash equivalents and accounts receivable.

Our actual physical capital measures for the year against budget are as follows:

Physical Capital Measure	2022 Actual \$000	2022 Original/Final Budget \$000	Variance \$000
Value of total assets	2,269	1,776	493
Asset replacements: total assets	0%	1.2%	(1.2%)
Book value of assets: initial cost of those assets	25%	35%	(10%)
Depreciation: cash flow on asset purchases	1300%	87%	1213%
Changes to asset management policies	None	None	None

Further information on our financial performance for 2022, including variance analysis, is included in our financial statements on pages 55 to 81.

Financial Accounts



Financial Statements

31 December 2022

Office of the Auditor General Cayman Islands

Statement of Responsibility for Financial Statements

These financial statements have been prepared by the Office of the Auditor General in accordance with the provisions of the *Public Management and Finance Act (2020 Revision)*.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Act (2020 Revision)*.

As Chief Officer and Chief Financial Officer, we are jointly responsible for the preparation of the Office of the Auditor General's financial statements and for the judgements made in them.

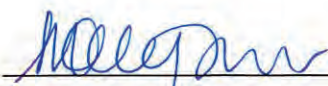
As Chief Officer and Chief Financial Officer, we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by the Act, and properly record the financial transactions of the Office of the Auditor General.

The financial statements fairly present the financial position, financial performance and cash flows of the Office of the Auditor General for the year ended 31 December 2022.

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 2022;
- b) fairly reflect the financial position as at 31 December 2022 and the performance for the year ended 31 December 2022;
- c) comply with International Public Sector Accounting Standards as set out by International Public Sector Accounting Standards Board under the responsibility of the International Federation of Accountants.

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



Sue Winspear, CPFA
Chief Officer



Patrick Smith, CPA
Chief Financial Officer

DATE: 24 April 2023

DATE: 24 April 2023



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INDEPENDENT AUDITOR'S REPORT TO THE PRESIDING OFFICER OF THE PARLIAMENT 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 2022, and the related statements of financial performance, changes in net assets/equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office as at 31 December 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Baker Tilly (Cayman) Ltd., trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

This report, including the opinion, has been prepared for and only for the Presiding Officer of the Parliament 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.
Grand Cayman, Cayman Islands
24 April 2023**

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

2021 Actual \$000		Note	2022 Actual \$000	2022 Original/Final Budget \$000	2022 Variance from Original Budget \$000
	Current assets				
527	Cash and cash equivalents	1	1,032	829	203
1,204	Accounts receivable	2	1,153	860	293
-	Other receivables		20	-	20
5	Prepayments		13	17	(4)
1,736	Total current assets		2,218	1,706	512
	Non-current assets				
63	Property and equipment	3	51	70	(19)
63	Total non-current assets		51	70	(19)
1,799	Total assets		2,269	1,776	493
	Current liabilities				
26	Accounts payable and accruals	4	68	116	(48)
187	Employee entitlements	5	213	190	23
895	Surplus payable	6	1,300	586	714
3	Unearned revenue	7	-	164	(164)
1,111	Total current liabilities		1,581	1,056	525
1,111	Total liabilities		1,581	1,056	525
688	Net assets		688	720	(32)
	Net assets/equity				
688	Contributed capital*	8	688	688	-
-	Accumulated surpluses/(deficits)*		-	32	(32)
688	Total net assets/equity		688	720	(32)

*See Statement of Changes in Net Assets/Equity on page 61

The accounting policies and notes on pages 63 to 81 form part of these financial statements.

Office of the Auditor General Cayman Islands
Statement of Financial Position
Year Ended 31 December

(In Cayman Islands Dollars)

2021 Actual			2022 Actual	2022 Original/Final Budget	2022 Variance from Original Budget
\$000	Note		\$000	\$000	\$000
Revenue					
825		Audit services provided to Public Accounts Committee	823	960	(137)
2,533	9	Audit services provided to other government agencies	2,457	2,388	69
3,358		Total revenue	3,280	3,348	(68)
Expenses					
2,342	10	Personnel costs	2,535	2,710	(175)
421	11	Operating expenses	326	586	(260)
14	3	Depreciation	13	20	(7)
2,777		Total expenses	2,874	3,316	(442)
581		Net surplus for the year	406	32	374

The accounting policies and notes on pages 63 to 81 form part of these financial statements.

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

2021 Actual			2022 Contributed Capital (Note 8)	2022 Accumulated Surpluses / (Deficits)	2022 Total Net Assets / Equity	2022 Total Net Assets/Equity Original/Final Budget	2022 Total Net Assets/Equity Variance From Original Budget
\$000	Note	\$000	\$000	\$000	\$000	\$000	\$000
600	Opening Balance		688	-	688	688	-
581	Net surplus for the year		-	406	406	32	374
(493)	Repayment of net surplus	6, 8	-	(406)	(406)	-	(406)
688	Closing balance		688	-	688	720	(32)

The accounting policies and notes on pages 63 to 81 form part of these financial statements.

Office of the Auditor General Cayman Islands

Cash Flow Statement

For the year ending 31 December

(In Cayman Islands Dollars)

2021 Actual			2022 Actual	2022 Original/Final Budget	2022 Variance from Original Budget \$000
\$000		Note	\$000	\$000	\$000
	CASH FLOWS FROM OPERATING ACTIVITIES				
	Receipts:				
747	Audit services provided to Public Accounts Committee		664	960	(296)
1,975	Audit service provided to other government agencies		2,692	2,455	237
	Payments:				
(2,321)	Personnel costs		(2,531)	(2,713)	182
(451)	Operating expenses		(319)	(583)	264
(50)	Net cash flows generated from/(used in) operating activities	14	506	119	387
	CASH FLOWS FROM INVESTING ACTIVITIES				
(10)	Purchase of non-current assets		(1)	(23)	22
(10)	Net cash flows used in investing activities		(1)	(23)	22
	CASH FLOWS FROM FINANCING ACTIVITIES				
-	Repayment of surplus	6	-	-	-
-	Net cash flows used in financing activities		-	-	-
(60)	Net (decrease)/increase in cash and cash equivalents		505	96	409
587	Cash and cash equivalents at beginning of year		527	733	(206)
527	Cash and cash equivalents at end of year	1	1,032	829	203

The accounting policies and notes on pages 63 to 81 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(in Cayman Islands Dollars)

BACKGROUND INFORMATION

The Office of the Auditor General (the “Office” or “OAG”) is established under the Cayman Islands Constitution Order 2009 Section 114 as an independent public office. Its mandate and responsibilities are prescribed in sections 58 to 69 of the *Public Management and Finance Act (2020 Revision)* (“PMFA”). Revenue is derived from audit services provided to the Cayman Islands Government (“the Government”). The Office is dependent on this source of income to continue its operations. Some of the audit services are undertaken by private sector auditors appointed by the Auditor General.

The Office is located on the third floor, Anderson Square, Shedden Road, George Town, Grand Cayman. As at 31 December 2022, the Office employed 23 staff (31 December 2021: 22).

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

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(In Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

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

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

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 2022.

BUDGET AMOUNTS

The 2022 original budget amounts were prepared using the accrual basis of accounting and the accounting policies have been consistently applied with the actual financial statements presentation. The 2022 and 2023 original budgets were presented in the 2022 and 2023 Budget Statements of the Government of the Cayman Islands and approved by the Parliament on 8 December 2021.

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

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(in Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

JUDGEMENT AND ESTIMATES (CONTINUED)

various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period that is affected by those revisions. As at 31 December 2022, 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 uncollectible, they are written-off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written-off are recognised in future periods as revenue in the year in which it is collected.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(In Cayman Islands Dollars)

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

ASSETS (CONTINUED)

Work in Progress

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

Property and Equipment

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

- Furniture and fittings 6.66% (15 years) to 20% (5 years)
- Computer Equipment 33.33% (3 years)
- Office Equipment 10% (10 years)
- Leasehold Improvements Over the term of the lease

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

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.

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

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

LIABILITIES CONTINUED

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 2022 and 2021 all eligible employees of the Office belonged to the defined contribution plan. There were no employees in 2022 who reached retirement age and therefore was no longer eligible to participate in the defined contribution plan.

Unearned Revenue

The Office derives its revenue from the PAC and other government entities for audit services provided. Billed amounts are recorded as unearned revenue until earned.

Surplus Payable

Pursuant to the *Public Management & Finance Act (2020 Revision)* section 39 (3)(f) the Office may “retain such part of its net operating surplus as is determined by the Minister of Finance”. Under section 67 of the PMFA every reference to a minister is to be interpreted as a reference to PAC. When surpluses arise, these are booked as a payable to the Cayman Islands Government unless the PAC directs that the surplus can be retained.

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.

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

SPECIFIC ACCOUNTING POLICIES (CONTINUED)

REVENUE

Audit services revenue

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

EXPENSES

General

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

Depreciation

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

Operating Leases

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

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

NOTE 1: CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes non-interest bearing operating and payroll accounts 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:

2021 Actual \$000		2022 Actual \$000	2022 Original/Final Budget \$000	2022 Actual vs. Original Budget \$000
527	Bank accounts	1,032	829	203
527	Total cash and cash equivalents	1,032	829	203

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

Cash and cash equivalents are higher than the budget by \$203k, which is a result of the Office retaining more surplus earned in the prior year than was presented in the budget. Other factors are noted in the Cash Flow Statement and note 14 reconciliation of net surplus to cash flows generated from operating activities.

NOTE 2: ACCOUNTS RECEIVABLE

2021 Actual \$000		2022 Actual \$000	2022 Original/Final Budget \$000	2022 Actual vs. Original Budget \$000
209	Audit services to PAC (accounts receivable)	261	-	261
995	Audit services to other government entities (accounts receivable)	892	860	32
1,204	Total gross accounts receivable	1,153	860	293
-	Less: provision for doubtful debts	-	-	-
1,204	Total net accounts receivable	1,153	860	293

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

NOTE 2: ACCOUNTS RECEIVABLE (CONTINUED)

Aging Analysis of Accounts Receivable

2021 Actual	Accounts receivable	2022 Actual	2022 Original/Final Budget	2022 Actual vs. Original Budget
\$000		\$000	\$000	\$000
-	Current	-	-	-
990	Past Due 1-30 days	941	860	81
108	Past Due 31-60 days	59	-	59
20	Past Due 61-90 days	-	-	-
44	Past Due 91-180 days	114	-	114
42	Past Due 181-360 days	39	-	39
-	361 + Days	-	-	-
1,204	Total	1,153	860	293

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

Accounts receivable for audit services provided to PAC:

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

Accounts receivable for audit services provided to other government entities:

The slight increase in accounts receivable when compared to budget is due to higher amount of actual billings being done during the year than what was budgeted. This variance is consistent with the increase of actual revenues compared with the amount budgeted.

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

NOTE 3: PROPERTY 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 2021	90	48	45	14	197	196	1
Additions	6	2	2	-	10	4	6
Disposals	-	-	-	-	-	-	-
At 31 December 2021	96	50	47	14	207	200	7
<u>Accumulated Depreciation</u>							
At 1 January 2021	40	34	42	14	130	122	8
Accumulated depreciation on disposals	-	-	-	-	-	-	-
Depreciation charge for the year / period	9	3	2	-	14	11	3
At 31 December 2021	49	37	44	14	144	133	11
Net book value at 31 December 2021	47	13	3	-	63	67	(4)
<u>Cost</u>							
At 1 January 2022	96	50	47	14	207	200	7
Additions	1	-	-	-	1	23	(22)
Disposals	-	-	-	-	-	-	-
At 31 December 2022	97	50	47	14	208	223	(15)
<u>Accumulated Depreciation</u>							
At 1 January 2022	49	37	44	14	144	133	11
Accumulated depreciation on disposals	-	-	-	-	-	-	-
Depreciation charge for the year / period	9	3	1	-	13	20	(7)
At 31 December 2022	58	40	45	14	157	153	4
Net book value at 31 December 2022	39	10	2	-	51	70	(19)

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(In Cayman Islands Dollars)

NOTE 3: PROPERTY AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

In 2022 the Office did not make any material acquisitions of fixed assets. The additions were under budget by \$22k as work on additional work stations was deferred to 2023.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2021 Actual \$000		2022 Actual \$000	2022 Original/Final Budget \$000	2022 Actual vs. Original Budget \$000
3	Trade creditors	34	-	34
23	Accruals	34	116	(82)
<u>26</u>	Total	<u>68</u>	<u>116</u>	<u>(48)</u>

Explanation of major variances against the original budget:

Actual accruals were lower than budgeted primarily because the Office deferred some purchases which were to be executed in December 2022 to January 2023. Generally, the Office's actual expenditure was below budget which impacted the actual amounts accrued at year end.

NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2021 Actual \$000	Current employee entitlements are represented by:	2022 Actual \$000	2022 Original/Final Budget \$000	2022 and Actual vs. Original Budget \$000
112	Annual leave	100	95	5
75	Time off in lieu	113	95	18
<u>187</u>	Total employee entitlements	<u>213</u>	<u>190</u>	<u>23</u>

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

Total employee entitlements increased when compared to the prior year, and was slightly over budget as employees worked more overtime hours during the current year in order to reduce backlogged audits, and to aide in completing current audits in a more timely way.

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

NOTE 6: SURPLUS PAYABLE

2021 Actual		2022 Actual	2022 Original/Final Budget	2022 Actual vs. Original Budget
\$000		\$000	\$000	\$000
895	Surplus payable	1,300	586	714
895	Total	1,300	586	714

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

The increase is due to the surplus generated from 2022 of \$406k. The Office is currently reviewing its operational needs for the short to medium term and this will be a factor in determining how much of this payable is transferred to the Treasury during 2023. The surplus generated for the year was more than the amount budgeted, which impacted the variance in surplus payable.

NOTE 7: UNEARNED REVENUE

2021 Actual		2022 Actual	2022 Original/Final Budget	2022 Actual vs. Original Budget
\$000		\$000	\$000	\$000
3	Unearned revenue	-	164	(164)
3	Total	-	164	(164)

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

The Office has discontinued progress billings for engagements subsequent to the 2018 financial year and the remaining balance of \$3k was fully recognised as revenue in 2022. The budget variance of \$164k occurred as the budget was prepared prior to the change in billing methodology when it was anticipated that a portion of the progress billings for 2022 would not be earned at the year end.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(In Cayman Islands Dollars)

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. As such, no amounts have been recorded in the financial statements for the years ended 31 December 2022 and 2021.

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

2021 Actual		2022 Actual	2022 Original/Final Budget	2022 Actual vs. Original Budget
\$000		\$000	\$000	\$000
103	Opening net assets/equity 2004/05	103	103	-
404	Equity injections:	404	404	-
	2004/05: \$222k			
	2005/06: \$5k			
	2007/08: \$177k			
181	Contributed goods & services (2010/11)	181	181	-
688	Total contributed capital	688	688	-

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

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

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

NOTE 9: REVENUE

2021 Actual		2022 Actual	2021 Original/Final Budget	2021 Actual vs. Original Budget
\$000		\$000	\$000	\$000
	Revenue			
825	Audit services provided to Public Accounts Committee	823	960	(137)
2,533	Audit services provided to other government agencies	2,457	2,388	69
3,358	Total revenue	3,280	3,348	(68)

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

The revenue generated from services to the PAC was consistent with the amount generated in the prior year as the same number of staff were allocated to work on performance audit engagements during 2022 as was done in 2021.

This is still less than budgeted as staff spent more time working on financial audits in order to clear the backlog, this resulted in more revenue being generated from services provided to government entities than was budgeted.

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

NOTE 10: PERSONNEL COSTS

2021 Actual		2022 Actual	2022 Original/Final Budget	2022 Actual vs. Original Budget
\$000		\$000	\$000	\$000
2,017	Salaries, overtime & allowances (including employee pension contributions)	2,170	2,186	(16)
176	Health insurance	227	324	(97)
103	Employer pension expense	108	112	(4)
46	Other personnel costs	30	88	(58)
2,342	Total personnel costs	2,535	2,710	(175)

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

Personnel costs was higher in 2022 compared to the prior year primarily due to the Office having one additional employee in 2022, and a cost of living increase in September 2022 of 2% and an incremental increase in December 2022 of 2.5%. However, the actual cost was less than budgeted as the Office did not fill all posts that were budgeted for during the year.

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

NOTE 11: OPERATING EXPENSES

2021 Actual		2022 Actual	2022 Original/Final Budget	2022 Actual vs. Original Budget
\$000		\$000	\$000	\$000
113	Operating leases	112	134	(22)
149	Professional fees	40	221	(181)
4	Travel & subsistence	10	16	(6)
36	Other goods and services	43	69	(26)
23	Software licensing fees	20	33	(13)
16	Audit fees	16	22	(6)
26	Training	33	31	2
12	Janitorial services	14	14	-
15	Utilities	18	16	2
6	Computer and communication supplies	3	5	(2)
21	Legal fees	17	25	(8)
421	Total operating expenses	326	586	(260)

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

Operating lease: Lease expenses were under budget by \$22k as the 2022 budget was prepared prior to the new lease being finalized, and the negotiated amount was less than what was budgeted.

Other goods and services: The amount expensed for other goods and services was below budget primarily due to the deferred purchase of computer equipment for new employees who were budgeted to start in 2022, but will start in the first quarter of 2023.

Professional fees: Professional fees were significantly below budget as the Office continued to utilize staff rather than consultants to carry out performance audits.

Software licensing fees: Software licensing fees were \$13k under budget due to the Office not purchasing new software packages as anticipated. These licenses for new employees were purchased in the first quarter of 2023.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(In Cayman Islands Dollars)

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. The Office signed a 5-year lease effective from 1 November 2019 and expiring on 31 October 2024.

Type	One year or less \$000	One to five years \$000	Over five years \$000	2022 Total \$000	2021 Total \$000
Non-cancellable accommodation lease	111	204	-	315	426

NOTE 13: CONTINGENT LIABILITIES

At 31 December 2022, there are no quantifiable and non-quantifiable contingent liabilities (31 December 2021: no contingent liabilities).

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

2021 Actual		2022 Actual	2022 Original/Final Budget \$000	2022 Actual vs. Original Budget \$000
581	Net surplus	406	32	374
	Non-cash movements			
14	Depreciation	13	20	(7)
(21)	Increase/(decrease) in payables/accruals	42	148	(106)
(140)	Increase/(decrease) in other current liabilities	22	-	22
(497)	Decrease/(increase) in receivables	31	(81)	112
13	Decrease/(increase) in prepayments	(8)	-	(8)
(50)	Net cash flows generated from/(used in) operating activities	506	119	387

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(in Cayman Islands Dollars)

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 2022 and 2023 Budget Statements of the Government, there were no inter-agency charges between core government entities, except for audit services revenue. As a result, the Office was unable to make an estimate of the fair value of contributed goods and services received for the 2021 and 2022 fiscal years as described in Note 8.

KEY MANAGEMENT PERSONNEL

As at 31 December 2022 there were four senior managers in the Office (31 December 2021: 3). Remuneration includes: regular salary, pension contributions, health insurance contributions, acting and duty allowance, and motor car upkeep. Total remuneration for senior management for the year ending 31 December 2022 was \$624k (31 December 2021: \$524k). There were no loans made to key management personnel or their close family members in 2022 (2021: none).

NOTE 16: FINANCIAL RISK MANAGEMENT

The Office is exposed to a variety of financial risks including credit risk and liquidity risk. The Office's risk management policies are designed to identify and manage these risks, to set appropriate risk limits and controls, to monitor the risks and adhere to limits by means of up to date and reliable information systems. These risks are managed as required by the *Financial Regulations (2021 Revision)*.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Office. Financial assets which potentially expose the Office to credit risk comprise cash and cash equivalents, accounts receivable and other receivables.

The Office is exposed to potential losses that would be incurred if the counterparty to the bank balances fails to discharge its obligation to repay. All bank balances are with one financial institution located in the Cayman Islands which management considers financially secure and well managed.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

Year Ended 31 December

(In Cayman Islands Dollars)

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 2022, no provision for doubtful debts has been established as none of these assets are impaired and management considers these debts to be recoverable in full. Notwithstanding the concentration risk in relation to accounts receivable, management does not consider the Office to be exposed to significant credit risk as all of the counterparties are other government entities and the Cayman Islands Government is rated Aa3 with a stable outlook by Moody's.

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

LIQUIDITY RISK

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

The ability of the Office to meet its debts and obligations is dependent upon its ability to collect the debts outstanding in a timely basis. Management manages liquidity risk through monitoring cash flows from debtors, paying creditors on their due dates, and if the circumstances required it, to obtain funding from Government to temporarily fund any shortfalls the Office would have with its own cash flows. As at 31 December 2022, all of the financial liabilities were due within three months of the year-end dates.

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

NOTE 17: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 31 December 2022, the carrying value of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accruals, employee entitlements, and surplus payable upon demand approximate their fair value due to their relative short-term maturities.

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

NOTE 18: SUBSEQUENT EVENTS

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

APPENDIX 1 – ENTITIES AUDITED BY THE AUDITOR GENERAL

Under the *Public Management and Finance Act*, the Auditor General is responsible for carrying out the audits of all public sector entities. The Office relies on the work performed by private sector audit firms for a number of its financial statements audits. The following list provides details about who carried out the audits during 2022 for the financial statements audits ending 31 December 2021.

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

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

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

APPENDIX 2 – SUMMARY OF REPORTS ISSUED AND IN PROGRESS IN 2022

Reports issued during 2022

Reports Issued	Date of Issue	Summary
Follow-up on past PAC Recommendations 2022 – Report 1	January 2022	The report assessed the Government's progress with three previous PAC and OAG reports, covering 61 recommendations.
Follow-up on past PAC Recommendations 2022 – Report 2	February 2022	The report assessed the Government's progress with three previous PAC and OAG reports, covering 54 recommendations.
Review of the procurement of Lateral Flow Tests	March 2022	A special investigation report, requested by the Cabinet, on problems encountered with the Government's procurement of lateral flow tests. The investigation focused on establishing the facts of the procurement.
The impact of the COVID-19 pandemic on Government finances.	May 2022	Our second public interest report on the costs of the COVID-19 pandemic.
The Government's shift to online services	June 2022	The performance audit report assessed the Government's efficiency and effectiveness in the delivery of online services.
Follow-up on past PAC Recommendations 2022 – Report 2	September 2022	The report assessed the Government's progress with two previous PAC and OAG reports, covering 29 recommendations.
Financial reporting of the Cayman Islands Government: General Report 31 December 2021	October 2022	This compendium report summarised the results of the audits and financial performance of the 43 public sector entities for 2021, audited by 30 September 2022.

Reports in progress as at 31 December 2022

Reports in Progress	Summary	Progress at 31 December 2022
The Integrated Solid Waste Management System for the Cayman Islands (Regen)	<p>This audit will review the value for money of the public private partnership contract for the new Regen waste management facility.</p> <p>A draft report was issued to the Government in December 2021. The report will be finalised and issued after the Government has concluded the contract.</p>	<p>On hold.</p> <p>The report will be issued after financial close of the contract.</p>

Reports in Progress	Summary	Progress at 31 December 2022
Overview of the Cayman Islands' performance against the environment-related Sustainable Development Goals.	This public interest report will assess the Cayman Islands performance against 47 environment-related targets set in the United Nations' Sustainable Development Goals.	Reporting phase. The report is expected to be issued in quarter 1 2023.
Cayman Airways Limited	This audit will assess the efficiency and effectiveness of Cayman Airways Limited.	Planning phase. The examination phase will commence in early 2023. The report is expected in the second half of 2023.
Improving employment prospects for Caymanians.	The audit was in the planning phase at the end of 2022. The audit will aim to review employability prospects for Caymanian's, including WORC's performance in relation to this since it was established in 2019.	Planning phase. Planning will conclude in early 2023. The report is expected in the second half of 2023.
Rebuilding and diversifying the economy	The audit was in the planning phase at the end of 2022. The audit will aim to review the Government's plans and progress to rebuild the economy post-COVID.	Planning phase. Planning will conclude in early 2023. The report is expected in the second half of 2023.
Improving Financial Accountability and Transparency: Long-term Financial Sustainability	This audit will assess how effective the Cayman Islands Government is at planning for long-term financial sustainability. It will also include an update on COVID-19 related expenditure and foregone revenues, and the impact of this on financial sustainability.	On hold. The audit will recommence in 2023.

APPENDIX 3 – OUTPUTS DELIVERED

The outputs delivered in 2022 to the PAC as per the Budget Statement for the OAG.

AUD 2	Financial and Performance Audit Reports		
Related Broad Outcome:			
Stable, Effective and Accountable Government			
Description			
Audit reports and advice to the Parliament relating to:			
<ul style="list-style-type: none"> General Reports on 1) Management of executive financial transactions; 2) Financial Management of Entire Public Sector (EPS) or of any Ministry, Portfolio, Statutory Authority or Government Company Performance audit reports on the economy, efficiency and effectiveness of any Ministry, Portfolio, Statutory Authority or Government Company; and Other matters of public interest as determined by the Auditor General 			
Measures	2022 Actual	2022 Budget	2021 Actual
Quantity			
<ul style="list-style-type: none"> Number of reports issued to the Parliament Number of audits in progress / partial reports at year end 	7 5	3-5 2-3	3 3
Quality			
<ul style="list-style-type: none"> Issued reports are reviewed and signed off by Deputy Auditor General and Auditor General Request client's comments on the draft reports and amend the final report if necessary Report recommendations are endorsed by the PAC Report recommendations are accepted by the client 	100% 100% 100% 94%	100% 100% 90-100% 75-100%	100% 100% 100% 95%
Timeliness			
<ul style="list-style-type: none"> Auditor General reports become public documents within two weeks of submission to the Speaker of the Parliament. All reports are publicly available through the website within two days after becoming a public document. 	100% 100%	80-100% 100%	100% 100%
Location			
Cayman Islands: Office of the Auditor General, 3 rd Floor Anderson Square, George Town, and Client premises (local & international)	100%	100%	100%
Cost (of producing the Output)	\$823,000	\$960,000	\$825,172
Price (paid by PAC for the output)	\$823,000	\$960,000	\$825,172

Contact us

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Complaints

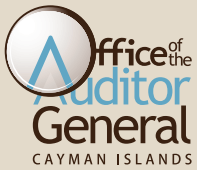
To make a complaint about one of the organisations we audit or about the OAG itself, please contact Katrina Thomas at our address, telephone or fax number or alternatively email: katrina.thomas@oag.gov.ky

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 2023