

Invitation to Tender

Provision of Financial Audit Services for



BACKGROUND INFORMATION

The Office of the Auditor General (the “Office”) is 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 (2013 Revision)* (“PMFL”). The main source of revenue is from audit services provided to the Cayman Islands Government (“the Government”). The Office is dependent on this source of income to continue in operation for the foreseeable future. Some of the audit services are undertaken by private sector auditors appointed by the Auditor General.

The Auditor General is the chief officer of the Office of the Auditor General and is accountable to the Legislative Assembly for the performance of the Office. The Office of the Auditor General is located on the Third Floor, Anderson Square, Shedden Road, George Town, Grand Cayman. As at 29 February 2016, the Office had 16 employees.

OFFICE OVERVIEW

The Office of the Auditor General has been called the independent “**Watchdog of Government Spending**” working on behalf of the Legislative Assembly and the wider public. We carry out this role by undertaking:

- Financial statement audits of the Government, including each ministry, portfolio, statutory authority and government company.
- Performance audits which promote the efficient, effective and economic use of resources across ministries, portfolios, statutory authorities and government companies.
- Support and assistance to the Public Accounts Committee (PAC) of the Legislative Assembly.

We also provide support services to Hazard Management Cayman Islands. The Auditor General supports other government activities such as being a member of the Anti-Corruption

Commission, a Director of the Auditor Oversight Authority and providing advice to operational committees.

Public Audit is a fundamental element of accountability that supports the role of Government to effectively report on its use of the public money. Our work focuses on how well the civil and public service implements government policy. We examine how resources have been used, including whether they are in line with relevant legal authorities. Our reports are issued to the Legislative Assembly, Government entities, other stakeholders and the public, as appropriate.

For further details on the Office you may want to consult the following documents, which can be found on the Office’s website (<http://www.auditorgeneral.gov.ky/>) under corporate publications:

1. The 2014/15 Annual Report of the Office of the Auditor General
2. The 2015-2019 Strategic Plan of the Office of the Auditor General – Delivering Value
3. Quick Guide to the Office of the Auditor General.

FINANCIAL SUMMARY

	2015-16 Actual at 31 Mar 2016 \$000	2015-16 Final Budget \$000	2014-15 Actual Audited \$000	2014/15 Final Budget \$000
Revenue				
Audit services to Public Accounts Committee	417	664	632	650
Audit services to other government agencies	1,433	2,016	1,921	2,206
Total Operating Revenue	1,850	2,680	2,553	2,856
Expenses				
Personnel costs	1,328	1,926	1,816	1,785
Operating expenses	298	449	548	533
Depreciation	7	14	12	19
Total Expenses	1,633	2,389	2,376	2,337
Net Surplus	217	291	177	466

RESPONSIBILITY FOR ACCOUNTING

The responsibility for all accounting systems and resources of the accounting function is vested with the Deputy Auditor General. The Deputy Auditor General has executive responsibilities over the accounts department and Information Technology (along with the Auditor General). The Deputy Auditor General is a qualified accountant with over ten years experience in the managing the Office’s finances.

ACCOUNTING PRACTICES

The Office prepares its financial statements in accordance with International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC) on the accrual basis under the historical cost convention. Oracles Financials (IRIS) is used to record its transactions and prepare its financial statements. All transactions are captured in CI Dollars (designated as the “Home Currency”). US Dollar transactions are converted to CI Dollars. The 30 June 2015 financial statements received an unqualified audit opinion.

REPORTING REQUIREMENTS AND APPLICABLE LAWS

In accordance with the *Public Management and Finance Law (2013 Revision)*, the Office of the Auditor General is required to prepare financial statements for submission to the appointed auditor within two months after the end of the financial year end and the appointed auditor is to express an audit opinion two months thereafter. The last audited financial statements are for the year ended 30 June 2015. However, the PMFL has been amended with the Public Management and Finance (Amendment) Law, 2015 which has changed the fiscal year end to 31 December. Therefore, the prospective auditor will be engaged to complete the following audits:

- 30 June 2016 financial statements
- 31 December 2017 (18-month period end) – transition year
- 31 December 2018

The audit must be carried out in a competent fashion with due care in accordance with **International Standards on Auditing**. Persons carrying out such functions must be independent of the Office. Any person who is currently engaged, or who has been engaged as the independent auditor of the OAG within the previous 12 months may not be engaged by the Auditor General to carry out or assist in the carrying out of any financial statement audit or investigation for the Auditor General.

The prospective auditor will prepare:

1. Audit Report addressed to the Presiding Officer of the Legislative Assembly.
2. ISA 260/265 Report should be discussed with OAG’s Management. The ISA 260/265 Report is to be issued to the Auditor General. The Auditor General plans to make the ISA 260/265 Report to those charged with governance a public document and post it on the Office of the Auditor General’s website. This Report will also be provided to the Public Accounts Committee.

Under the *Freedom of Information Law (2015 Revision)* it is the policy of the Office of the Auditor General to release all audit reports.

EXPECTATIONS OF THE PROSPECTIVE AUDITOR

The successful bidder will be expected to demonstrate the following:

- Ability to carry out the audit in compliance with the requirements of the *Public Management & Finance Law (2013 Revision)* and Financial Regulations.
- Ability to complete the initial audit by 31 October 2016 and the two subsequent audits by 30 April 2018 and 30 April 2019.
- Ability to complete all future audits within two months of receipt of draft financial statements from the Office of the Auditor General. OAG to submit draft financial statements by the 31 August 2016 for 30 June 2016 financial statements and by 28 of February 2017 and 2018 for the 31 December 2017 and 2018 financial statements respectively.
- An audit team composed of staff qualified and adequately competent in conducting audits with minimal disruption to client operations.
- Fees charged will be based on most efficient audit strategy, with due regard to engagement risk.

EVALUATION OF BIDS AND SUPPLEMENTAL INFORMATION

A committee established by the Office of the Auditor General will evaluate the bids. This committee reserves the right to seek supplemental or additional information of bidders with the understanding that such supplemental information will be requested from all the bidders. The evaluation criteria and scoring is disclosed in Annex A.

The committee also reserves the right to invite shortlisted bidders to be interviewed and or provide a presentation on their proposal.

See Annex A for details on how proposals will be evaluated.

SERVICES REQUIRED

STATUTORY AUDIT

The Office of the Auditor General is required by the section 44 of the *Public Management & Finance Law (2013 Revision)* to prepare and submit its financial statements to an independent auditor to be audited. The independent auditor is then required to prepare and deliver to the Office of the Auditor General & Public Accounts Committee an audit opinion. In addition to expressing an audit opinion, the independent auditor shall submit a summary of the issues resulting from the audit that he/she wishes to bring to the attention of OAG's management and to the Public Accounts Committee (i.e. ISA 260/265 Report).

The independent auditor shall be an entity or individual who is, in the opinion of Public Accounts Committee, suitably qualified and experienced to be the independent auditor.

All audits conducted by the independent auditor must be carried out in a competent fashion with due care in accordance with the International Standards on Auditing. Persons carrying out such functions must be independent of the Office of the Auditor General.

The nature and extent of the tests carried out will vary according to the bidder's assessment of the OAG's risks and systems in place, but should cover all material aspects of its operations.

CONFIDENTIALITY

All information obtained through the work carried out by the engagement firm is to remain confidential.

FORMAT OF PROPOSAL:

Bidders are responsible for ensuring that proposals are submitted prior to the deadline date and time, which is **12:00 noon, 17 May 2016**. Three copies of the proposal should be submitted in a sealed envelope, clearly marked on the exterior of the envelope **Financial Audit Services OAG 2016-2018**. The bid envelopes should be addressed and submitted to:

The Auditor General

Ref: **Financial Audit Services OAG 2016-2018**

Office of the Auditor General

3rd Floor Anderson Square, 64 Shedden Road

George Town

PO Box 2583

Grand Cayman, KY1-1103

CAYMAN ISLANDS

TECHNICAL & FINANCIAL PROPOSAL

1. Time budget & Personnel

The proposal should provide brief details on the qualifications and prior experience, if any, in government auditing of the proposed personnel assigned to the audit engagement:

- Engagement Partner
- Audit Manager
- Field Staff

Estimated hours and staff charge-out rates should be included.

The proposal should also indicate whether the proposed staff has received continuing professional education in IFRS/IPSAS during the last 2 years, and whether they are independent with respect to OAG as defined by International Standards on Auditing.

No changes in senior personnel (partner/manager) allocated to this assignment will be permitted without the prior approval of the Auditor General and Public Accounts Committee.

2. Financial

Bidders are also expected to provide a fixed price for the 3 years of audit engagements. Where unforeseen complications with the audit or fundamental changes in the scope or size of the client's operations occur, any additional charges for these complications or changes will be negotiated.

3. Other

The proposal should provide any specific expertise that you may contribute to the OAG's audit and public sector audit experience.

The proposal should indicate how the firm is compliant with ISQC1.

4. Insurance

Tenderers shall confirm that they hold adequate professional indemnity insurance and the amount held.

BRIEFING AND SUPPLEMENTARY INFORMATION

Representatives from the Office of the Auditor General will be available to answer any questions from prospective bidders. Questions can be forwarded to:

Mr. Garnet Harrison, Acting Auditor General (garnet.harrison@oag.gov.ky)
Phone #: (345) 244-3213

Prospective bidders are invited to attend the **OAG Offices at 10:00 am on Monday 9 May 2016** for a background briefing on its financial systems, transaction values and volumes, other issues and future plans, which may influence bidders perception of the requirements of the assignments. OAG's latest available annual report and audited financial statements for the year ending 30 June 2015 we be provided upon request.

DESIRED TIMETABLE

See Annex B for the proposed tentative schedule for the statutory assignment.

EVALUATING THE PROPOSALS

The criteria to be used to evaluate the proposal are as follows, with weightings as indicated:

- Understanding of proposal (15)
- Experience in conducting audits in a similar industry and public sector (20)
- Support/commitment from firm's partner, senior management (5)
- Ability and commitment to planned timing of the assignment and agreed deadlines and delivery dates (20)
- Price competitiveness – i.e. rated both in terms of Authority's available budget and the fee quoted. The low bidder will be awarded 40 marks and the next lowest prices will be weighted based on the low bidder (40). For example:
 - Lowest price (LP) = 40 points
 - Next Lowest price (NLP1) = $LP/NLP1 \times 100 \times 40\%$
 - Next Lowest price (NLP2) = $LP/NLP2 \times 100 \times 40\%$

Total points score available = 100

Contract to be awarded to highest point score out of a total of 100, provided estimated cost is within available budget.

Proposed Timetable for 30 June 2016 Financial Statement Audit**Financial Statement Audit**

	30 June 2016
Submission of financial statements and annual report to independent auditor	23 August 2016
Fieldwork commence	9 September 2016
Finalization of audit report, ISA 260 Report to the Office of the Auditor General;	11 October 2016
Auditor General & Deputy Auditor General sign off of Financial Statements	25 October 2016

The proposed timing is subject to change.