



Cayman Islands Audit Office
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Cayman Islands

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Mr. Andy Holbrook
Information Officer, Governor's Office
4th Floor AALL Bldg
c/o Gov't Administration Building
Grand Cayman KY1-9000
Cayman Islands

Dear Mr. Holbrook,

Further to our previous discussion regarding my value-for-money audit of the costs incurred relating to Operation Tempura, I have prepared an audit summary and am sending it to you for your information.

Included in the audit summary are the objectives, scope and criteria. As well, I have provided information on the audit process I plan to use. I am only sending this document to the "main contacts" listed and I would appreciate if you would share this document with your officials as necessary.

If you have any questions or comments, please do not hesitate to call me at 244-3201 or Martin Ruben at 244-3206.

Yours truly,

Dan Duguay, MBA, FCGA
Auditor General



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Ms. Cheryll Richards
Solicitor General/Chief Officer
1st Floor, Ansbacher House
PO Box 907
Grand Cayman, KY1-1103
Cayman Islands

Dear Ms. Richards,

Further to our previous discussion regarding my value-for-money audit of the costs incurred relating to Operation Tempura, I have prepared an audit summary and am sending it to you for your information.

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If you have any questions or comments, please do not hesitate to call me at 244-3201 or Martin Ruben at 244-3206.

Yours truly,

Dan Duguay, MBA, FCGA
Auditor General



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Mr. James Smith
A/Police Commissioner
George Town Police Station
PO Box 909
Grand Cayman KY1-1103
Cayman Islands

Dear Police Commissioner Smith,

Further to our previous discussion regarding my value-for-money audit of the costs incurred relating to Operation Tempura, I have prepared an audit summary and am sending it to you for your information.

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Yours truly,

Dan Duguay, MBA, FCGA
Auditor General



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Mr. Donovan Ebanks
Deputy Chief Secretary
Portfolio of Internal and External Affairs
3rd Floor, Government Administration Bldg
Grand Cayman KY1-9000
Cayman Islands

Dear Mr. Ebanks,

Further to our previous discussion regarding my value-for-money audit of the costs incurred relating to Operation Tempura, I have prepared an audit summary and am sending it to you for your information.

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If you have any questions or comments, please do not hesitate to call me at 244-3201 or Martin Ruben at 244-3206.

Yours truly,

A handwritten signature in cursive script that reads 'Dan Duguay'.

Dan Duguay, MBA, FCGA
Auditor General

Audit Summary

Value-for-Money Review of Operation Tempura

April 2009

Introduction

Much has been written and discussed in the Cayman Islands press regarding Operation Tempura, its operations and its results. As a result of this publicity and widespread concerns about the costs, on 9 January 2009 the Auditor General told the Cayman Net News that he was launching an investigation relating to the costs of the initiative. He said:

"My goal is to provide people with a clear understanding on what has been spent and where," he said. "And while I appreciate this is a moving target and one would normally like to do these things after it is over, given the speculation regarding the potential costs, we believe it would be wise to get a better understanding now,"

Operation Tempura started in September 2007 as a covert initiative under the auspices of the Governor's office. It operated that way for seven months. From the outset, significant decisions regarding the direction of the investigation have been made by an oversight committee established by the Governor which continues to operate. In March 2008, Operation Tempura was publicized and began operation under the auspices of the Portfolio of Internal and External Affairs. It has operated under this organization for a period of eleven months. Operation Tempura continues to operate, and has now branched off another investigation known as Operation Cealt. This new initiative will be the direct responsibility of the Cayman Islands Police. By best estimates of government officials involved, this operation is expected to continue for a number of months with no set time limit.

Audit objectives

As noted above, it has been determined that the public should be informed of the costs to date of Operation Tempura and an estimate of costs to be incurred by Operation Cealt. In addition, to the extent possible, the Legislative Assembly and the public should be aware of the extent to which the government has managed this initiative with due regard to economy.

Therefore, the objectives of the audit are to:

- 1) provide the legislature with a full accounting of the historic and estimated future costs, both direct and consequential, associated with Operation Tempura and any associated investigations,

- 2) determine whether the management systems and practices in place provide those in an oversight position with reasonable assurance that the investigation is well managed administratively and being properly accounted for
- 3) determine whether legislative authorities have been followed for the acquisition of resources, and
- 4) assess whether the government is managing the initiative with due regard to economy.

Audit Scope

The audit will focus on the cost associated with the operations of Operation Tempura, its consequences and its successor initiatives. Where it is reasonable, a determination of due regard for economy will be assessed.

We will not assess the decisions made regarding the operations themselves or whether they should have proceeded in the manner they did. The entire focus of this audit will be on the resources acquired and costs incurred and whether there was due regard for economy in the management of those resources.

Audit Criteria

Our criteria for this audit will be:

1. We expect that the Government would be carrying out activities for awarding contracts and acquiring other resources (requirements, procurement, solicitation, and award) in accordance with the government policies and regulations.
2. We expect that the Government would be administering contracts and other acquired resources properly in compliance with appropriate legislation, regulations, policies, directives, and guidelines.
3. We expect the government has sufficient information systems in place to gather and report on the costs of initiatives such as Operation Tempura.

Audit process

Audit approach: Our audit will rely on several means to obtain the information necessary to complete the audit including:

- Interviews of individuals in the Governor's office and government organizations
- Interviews of individuals who are part of the investigation team
- Review of documents
- Review of government financial records

In reporting on the audit, the audit team will ensure appropriate clearance with the main contacts to ensure that the sensitivity of the information is respected.

Main contacts: The main contacts for this value-for-money audit are responsible for providing the audit team with the necessary information to conduct the audit and for reviewing the draft report and providing timely comments to the audit team. The main contacts for this audit will be:

- Donovan Ebanks, Deputy Chief Secretary, Portfolio of Internal and External Affairs
- Cheryll Richards, Solicitor General/Chief Officer
- Andy Holbrook, Information Officer, Governor's Office
- James Smith, A/Police Commissioner
- Martin Bridger, Chief Investigator, Operation Tempura

Audit team:

Because of the sensitivity of this investigation, it will be conducted by senior members of the Cayman Islands Audit Office:

- Dan Duguay – Auditor General
- Martin Ruben - Manager

redacted

redacted

Key milestones:

- | | |
|---------------------------------------|---------------|
| • Examination phase | February 2009 |
| • Draft report to main contacts | 13 March 2009 |
| • Comments due from main contacts | 27 March 2009 |
| • Final draft to Governor | 1 April 2009 |
| • Report sent to Legislative Assembly | 10 April 2009 |