



OAG Quarterly Report

30 September 2014

*Our independent work
promotes good governance,
transparency and
accountability in the use of
public funds*

TABLE OF CONTENTS

- Financial Audit Practice1**
 - General Reports - Financial and Performance Reporting 1
 - EPS Audits 1
 - Entity Audits..... 2
- Performance Audit Practice.....4**
- Operational Report5**
 - OAG Annual Report..... 5
 - OAG Financial Performance Quarter to 30 September 2014 5
 - Internal Audit 6
 - OAG Strategic Plan 6
 - Government Professional Development Week 6
 - Auditor General Legislation 7
 - Office Accommodation 7
 - And Finally..... 7
- Appendix A – Status of the 2012-13 Audits8**
- Appendix B – Status of the 2011-12 Audits.....10**
- Appendix C – Status of the 2010-11 Audits.....12**
- Appendix D - Definitions14**

FINANCIAL AUDIT PRACTICE

GENERAL REPORTS - FINANCIAL AND PERFORMANCE REPORTING

1. During the quarter ending 30 September 2014 the OAG issued the General Report on the financial and performance reporting of Statutory Authorities and Government Companies for the year ending 30 June 2012. On the 8 October, subsequent to the end of the quarter, we also issued General Report on the financial and performance reporting of Ministries, Portfolios and Offices for the years ending 30 June 2011 and 2012. Brief details of the reports are described in Exhibit 1. Members should have received copies of these reports. The OAG plans to make these reports public on 21 October.

Exhibit 1 - General Reports Year ending 30 June 2012

Report	Summary	Progress
General Report on the Performance and Financial Reporting of Ministries and Portfolios for the Years ending 30 June 2011 and 2012	The report provides an overview of the audits conducted of the financial statements and discusses the significant findings that have been reported to the various Ministries and Portfolios.	Report finalized and sent to the Legislative Assembly
General Report on the Performance and Financial Reporting of Statutory Authorities and Government Companies for the Year ending 30 June 2012	The report provides an overview of the audits conducted of the financial statements and discusses the significant findings that have been reported to the various Statutory Authorities and Government Companies.	Report finalized and sent to the Legislative Assembly

2. The OAG has commenced preparation of equivalent reports for the year ending 30 June 2013 and is targeting publication of these in the first quarter of 2015, subject to completion of the audits of all material entities.

EPS AUDITS

3. As shown in Exhibit 2, audit work on three of the five Entire Public Sector (EPS) submissions has been completed, with disclaimers of opinion issued. Currently the Ministry of Finance and Economic Development is trying to address a number of the issues that gave rise to the disclaimers of opinion on the EPS financials in the two outstanding EPS financial statements for 2011-12 and 2012-13.

4. We recently met with the Ministry of Finance and Economic Development to discuss the way forward for the EPS, and had positive and proactive discussions. As a result, for the first time the Ministry have produced a plan for the way forward and we will continue to work with them to achieve their ultimate objective of issuing audited and unqualified EPS financial statements within the statutory timetable.

Exhibit 2 – EPS Audit Progress

Year	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
2008-09	6 May 2014	Disclaimed	
2009-10	31 July 2014	Disclaimed	
2010-11	25 July 2013	Disclaimed	9 April 2014
2011-12	In progress		
2012-13	In progress		

ENTITY AUDITS

5. The OAG is currently focused on the audits of the entity financial statements for the year ending 30 June 2014. All entities provided their financial statement submissions to the OAG by 31 August 2014 apart from one, which was received on 2 September. We are currently targeting the completion and sign off of 26 entities by the statutory deadline of 31 October 2014. This is dependent on the quality of submissions and supporting information, and whether any material issues are identified.
6. At present there is one significant issue which may delay the completion of audits for some entities by the statutory deadline. This is in respect of the 2014 actuarial valuation of pension liabilities, which has resulted in some issues that may potentially have a material impact on the respective financial statements. At this point we have estimated that this could impact the completion of approximately five audits.
7. With respect to the prior years, Exhibit 3 provides a high level summary of the current state of audit completion and tabling of annual reports in the Legislative Assembly. Appendices A to C provide details for each individual entity.

Exhibit 3 – Prior Year Audits

Year	Number of Entity Audits	Audits Completed	Audits Outstanding	Annual Reports Tabled
2012-13	43	31	12	15
2011-12	41	40	1	26
2010-11	40	40	0	30

8. For the financial years up to and including 2010-11 all entity audits have been completed. However for the financial year 2010-11 ten entity annual reports/financial statements (25%) have still to be tabled in the Legislative Assembly and made public documents. For financial year 2011-12 all audits have been completed apart from one, however again there are still fourteen entity annual reports/financial statements (35%) that have still to be tabled in the Legislative Assembly and made public documents.
9. With respect to 2012-13 twelve of the 43 audits still require to be completed. At present the majority of these are on hold whilst we concentrate on the audits of the 2013-14 entity financial statements during the period to 31 October 2014. Specifically :
 - 6 out of 16 Ministry and Portfolio audits for 2012-13 have still to be completed. Of these four are substantially complete. There have been significant delays on getting certain statements finalized, with entities not responding timeously to adjustments or issues identified; and
 - 6 out of 25 SAGC audits for 2012-13 have still to be completed. Of these one is finalized with us awaiting the signed financials from the client, and further two are substantially complete.

PERFORMANCE AUDIT PRACTICE

10. The OAG currently has five performance audits in progress. The fieldwork for four of these is complete and they are at various stages of the reporting phase. Exhibit 4 provides further details of each audit and their progress.

Exhibit 4 – Performance audits in progress

Report	Summary	Progress
Management of Land	The audit examines whether the Cayman Islands Government is adequately managing land use and development to meet the government objectives, both for the Cayman Islands in general and also for Crown Lands in particular. The audit includes some sample cases including the “For Cayman Investment Alliance”.	Draft report ready for submission to Government for clearance
Social Benefits Payments	The audit examines whether social assistance programmes are strategically managed to achieve intended results and delivered with due regard for value for money	Field work complete and draft report being reviewed
Major Capital Projects Part 2 - Schools	The audit examines how the Government is managing major capital projects (including the procurement and financing) and whether due consideration was given to achieving value for money. This will include examination of the completion phase of the high schools, and the primary schools projects.	Draft report ready for submission to Government for clearance
Governance Review of Cayman Airways, Cayman Islands Airports Authority and the Civil Aviation Authority	The audit is examining the arrangement in place to govern and manage the performance and operations of three SAGCs efficiently, effectively and economically, and in a manner which is accountable and transparent.	Field work ongoing
Nation Building Programme	This audit is examining whether the payments made from the Nation Building Fund were managed effectively and that there was due regard for value for money, accountability and transparency.	Field work substantively complete and report drafting commenced

OPERATIONAL REPORT

OAG ANNUAL REPORT

11. On 6 October 2014, shortly after the end of the quarter, the OAG's Annual Report for the year ending 30 June 2014, including the Financial Statements, was completed and signed. The Financial Statements received an unmodified audit opinion from the OAG's external auditors Baker Tilly. The Annual Report was forwarded to the Public Accounts Committee on 9 October 2014 for their consideration and tabling in the Legislative Assembly.
12. A copy of the Governance (ISA 260) report from Baker Tilly on the outcome of their audit has also been provided to members. The report highlights no issues of concern.

OAG FINANCIAL PERFORMANCE QUARTER TO 30 SEPTEMBER 2014

13. Exhibit 5 provides details of the OAG's financial performance for the first quarter of 2014-15. For the three months to 30 September the OAG has generated a surplus of just under \$36k

Exhibit 5 – OAG Statement of Financial Performance for the Quarter to 30 September 2014

	YTD Actuals	YTD Budget	YTD Variance
REVENUE			
Audit services provided to PAC	171,215	139,997	31,218
Audit services provided to Other Govt Agencies	434,546	525,000	(90,454)
Other Revenue	0	0	-
TOTAL OPERATING REVENUE	605,761	664,997	(59,236)
EXPENSES:			
Personnel costs	466,637	481,932	(15,295)
Operating Expenses	100,177	113,829	(13,652)
Depreciation	3,034	4,665	(1,631)
TOTAL EXPENSES	569,848	600,426	(30,658)
SURPLUS FROM OPERATING ACTIVITIES	35,913	64,571	(28,658)
Gains/(losses) on FX transactions	0	0	-
Gains/(losses) on disposal or revaluations of non-current assets	0	0	-
TOTAL NON-OPERATING REVENUE AND EXPENSES	0	0	-
Surplus before Extraordinary Items	35,913	64,571	(28,658)
Extraordinary Items	0	0	-
NET SURPLUS	35,913	64,571	(28,658)

INTERNAL AUDIT

14. The Government's internal audit unit (IAU) undertook an audit of the Office's expenses, including travel for the financial year ending 30 June 2014. We are still awaiting the report of the outcome of this audit.
15. Section 57 of the PMFL presently includes the OAG within the ambit of the IAU's powers. This raises some significant governance issues around the independence of the OAG. The fact that the internal auditors of government have the powers to audit the government's external auditors undermines the roles and responsibilities of various parties, creates clear conflicts of interest and is poor governance.
16. The OAG strongly supports the need for all entities, including the OAG to be subject to internal audit, but we are clear that in the case of the OAG this should be undertaken by an entity independent of Government. Suggestions to resolve this issue have been discussed with the committee set up to review the PMFL.
17. However whilst being uncomfortable with the governance and precedent it set, the OAG agreed to the audit being undertaken by the IAU due to the importance of transparency in use of public resources.

OAG STRATEGIC PLAN

18. The development of a revised OAG strategic plan for the period 2014-17 commenced in March 2014 with stakeholder consultation, in particular externally facilitated consultation and focus groups with OAG staff. The current draft is with the management for consideration before final consultation with OAG staff.
19. In conjunction with the strategic objectives for the OAG for the period of the plan, the strategic planning process is also revisiting the vision, mission and core values of the OAG.
20. It is planned to finalise and publish the new strategic plan in late November or early December.

GOVERNMENT PROFESSIONAL DEVELOPMENT WEEK

21. The third annual Government Professional Development week is set for 11 to 14 November. This is organized by CISPA in association with the Cayman Islands Government and the Civil Service College.
22. The event evolved from professional development training initiated by OAG to ensure its staff maintained and developed the professional knowledge and skills required of a professional audit practice. The opportunity to attend the OAG training was then extended to finance colleagues in Government and this has subsequently developed into a professional development week with a much broader focus than just financial management.

23. The initial development of PD week was driven by the OAG and the OAG continues to play the lead role with CISPA in the planning, development and delivery of the event. The OAG has taken this role on as part of its efforts to support improvement in the governance and management across the public sector. A copy of the programme has been provided to members.

AUDITOR GENERAL LEGISLATION

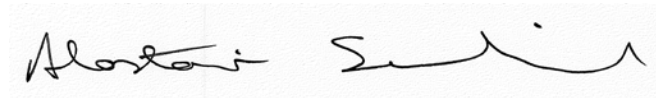
24. The current legislation that provides for the roles and responsibilities of the Auditor General and the OAG is contained within the PMFL. The OAG is currently discussing with Government the development of separate legislation for the Auditor General and OAG to bring this in line with other oversight bodies, and international good practice.

OFFICE ACCOMMODATION

25. The planned office move of the OAG as part of an agreement by the three oversight bodies to share accommodation is expected to occur in November 2014. This will result in cost savings for all three entities.

AND FINALLY.....

26. I would like to thank my team at the OAG for their dedication and hard work, particularly at this time of year, as they continue to rise to the challenge of completing the audits of the public sectors financial statements efficiently and effectively.



*Alastair Swarbrick MA(Hons), CPFA
Auditor General
George Town, Grand Cayman
Cayman Islands*

10 October 2014

APPENDIX A – STATUS OF THE 2012-13 AUDITS

Table 1 - Ministry and Portfolio audits

Entity		Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office		31 October 2013	Qualified	
Director of Public Prosecutions		25 October 2013	Unqualified	29 Jan 2014
Information Commissioners Office		29 October 2013	Unqualified	
Judicial Administration		24 October 2013	Qualified	
Ministry of Health, Environment, Youth, Sports and Culture		Substantially Complete		
Ministry of District Administration, Works, Lands and Agriculture		In Progress		
Ministry of Education, Training and Employment		Substantially Complete		
Ministry of Community Affairs, Gender and Housing		30 June 2014	Unqualified	
Ministry of Financial Services, Tourism and Development	Public Finance	Substantially Complete		
	Financial Services	Substantially Complete		
	Tourism & Development	18 June 2014	Disclaimed	
Office of the Complaints Commissioner		31 October 2013	Unqualified	
Office of the Premier		4 August 2014	Unqualified	
Portfolio of the Civil Service		28 October 2013	Unqualified	9 April 2014
Portfolio of Internal and External Affairs		In Progress		
Portfolio of Legal Affairs		29 October 2013	Qualified	29 Jan 2014

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Auditor Oversight Authority	28 February 2014	Unqualified	25 June 2014
Cayman Airways Limited	5 August 2014	Unqualified	
Cayman Islands Airport Authority	In Progress		
Cayman Islands Development Bank	3 July 2014	Unqualified	
Cayman Islands Monetary Authority	31 October 2013	Unqualified	9 April 2014
Cayman Islands National Museum	12 September 2014	Qualified	
Cayman National Cultural Foundation	31 October 2013	Unqualified	
Cayman Islands Stock Exchange	25 October 2013	Unqualified	9 April 2014
Cayman Turtle Farm (1983) Ltd.	24 October 2013	Qualified	26 Feb 2014
Children & Youth Services Foundation	In Progress		
CINICO	Substantially Complete		
Civil Aviation Authority	28 October 2013	Qualified	9 April 2014
Electricity Regulatory Authority	31 October 2013	Qualified	11 September 2014
Health Services Authority	Substantially Complete		
Information and Communications Technology Authority	31 October 2013	Unqualified	11 September 2014
Maritime Authority of the Cayman Islands	29 October 2013	Unqualified	9 April 2014
National Drug Council	29 October 2013	Unqualified	
National Gallery of the Cayman Islands	31 October 2013	Qualified	30 Jan 2014
National Housing Development Trust	Finalised	<u>Unqualified*</u>	
National Roads Authority	29 October 2013	Unqualified	
Port Authority of the Cayman Islands	31 October 2013	Unqualified	11 September 2014
Public Service Pensions Board	7 August 2014	Unqualified	
Segregated Insurance Fund	31 October 2013	Unqualified	30 Jan 2014
Sister Islands Affordable Housing Development Corporation	4 April 2014	Disclaimed	
Tourism Attractions Board	In Progress		
University College of the Cayman Islands	31 October 2013	Unqualified	
Water Authority of the Cayman Islands	30 October 2013	Qualified	26 June 2014

* Proposed Audit Opinion

APPENDIX B – STATUS OF THE 2011-12 AUDITS

Table 1 - Ministry and Portfolio audits

Entity		Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cabinet Office		31 October 2012	Qualified	10 December 2012
Director of Public Prosecution		30 January 2013	Unqualified	11 December 2013
Information Commissioners Office		31 October 2012	Unqualified	18 November 2013
Judicial Administration		31 October 2012	Unqualified	
Office of the Complaints Commissioner		31 October 2012	Unqualified	18 November 2013
Ministry of Community Affairs, Gender and Housing		25 June 2013	Qualified	18 November 2013
Ministry of District Administration, Works, Lands and Agriculture		12 August 2014	Disclaimed	
Ministry of Education, Training and Employment		18 February 2014	Qualified	9 April 2014
Ministry of Finance, Tourism and Development	Public Finance	3 February 2014	Qualified	9 April 2014
	Financial Services	28 June 2013	Qualified	18 November 2013
	Tourism & Development	29 November 2013	Adverse	
Ministry of Health, Environment, Youth, Sports and Culture		31 October 2012	Qualified	15 March 2013
Portfolio of the Civil Service		31 October 2012	Unqualified	10 December 2012
Portfolio of Internal and External Affairs		23 September 2014	Qualified	
Portfolio of Legal Affairs		16 November 2012	Unqualified	

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cayman Airways Limited	17 May 2013	Unqualified	11 December 2013
Cayman Islands Airport Authority	29 September 2014	Qualified	
Cayman Islands Development Bank	26 June 2013	Unqualified	18 November 2013
Cayman Islands Monetary Authority	31 October 2012	Unqualified	14 March 2013
Cayman Islands National Museum	15 August 2013	Qualified	
Cayman National Cultural Foundation	31 October 2013	Unqualified	
Cayman Islands Stock Exchange	5 November 2012	Unqualified	15 March 2013
Cayman Turtle Farm (1983) Ltd.	23 October 2012	Qualified	26 March 2013
Children & Youth Services Foundation	In progress		
CINICO	7 October 2013	Unqualified	
Civil Aviation Authority	30 October 2012	Qualified	13 March 2013
Electricity Regulatory Authority	31 October 2012	Unqualified	
Health Services Authority	28 May 2014	Qualified	
Information and Communications Technology Authority	19 October 2012	Unqualified	
Maritime Authority of the Cayman Islands	31 October 2012	Unqualified	13 March 2013
National Drug Council	31 October 2012	Unqualified	
National Gallery of the Cayman Islands	31 October 2012	Qualified	13 March 2013
National Housing Development Trust	30 January 2014	Unqualified	11 September 2014
National Roads Authority	25 October 2012	Unqualified	4 Sept 2013
Port Authority of the Cayman Islands	10 December 2012	Qualified	14 March 2013
Public Service Pensions Board	9 July 2013	Qualified	
Segregated Insurance Fund	31 October 2012	Unqualified	11 December 2013
Sister Islands Affordable Housing Development Corporation	4 April 2014	Disclaimed	
Tourism Attractions Board	7 January 2014	Qualified	25 June 2014
University College of the Cayman Islands	31 October 2012	Unqualified	15 March 2013
Water Authority of the Cayman Islands	31 October 2012	Qualified	28 February 2014

APPENDIX C – STATUS OF THE 2010-11 AUDITS

Table 1 - Ministry and Portfolio audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly	
Cabinet Office	31 October 2011	Qualified	19 November 2012	
Information Commissioners Office	31 October 2011	Unqualified	4 April 2012	
Judicial Administration	23 November 2011	Qualified	4 April 2012	
Office of the Complaints Commissioner	15 June 2012	Qualified	10 December 2012	
Ministry of Community Affairs, Gender and Housing	8 May 2012	Qualified	5 November 2012	
Ministry of District Administration, Works, Lands and Agriculture	28 September 2012	Disclaimed	28 February 2014	
Ministry of Education, Training and Employment	14 January 2013	Qualified	15 March 2013	
Ministry of Financial Services, Tourism and Development	Public Finance	8 October 2013	Qualified	28 February 2014
	Financial Services	28 June 2013	Qualified	18 November 2013
	Tourism	30 June 2013	Adverse	9 April 2014
Ministry of Health, Environment, Youth, Sports and Culture	7 May 2012	Qualified	11 December 2013	
Portfolio of the Civil Service	23 April 2012	Qualified	19 November 2012	
Portfolio of Internal and External Affairs	7 May 2014	Qualified		
Portfolio of Legal Affairs	16 January 2012	Unqualified	4 April 2012	

Table 2 – Statutory Authority and Government Company audits

Entity	Date Audit Completed or Progress	Audit Opinion	Tabled in the Legislative Assembly
Cayman Airways Limited	13 July 2012	Qualified	13 March 2013
Cayman Islands Airport Authority	30 July 2012	Qualified	10 Jan 2013
Cayman Islands Development Bank	28 September 2012	Unqualified	14 March 2013
Cayman Islands Monetary Authority	31 October 2011	Unqualified	4 April 2012
Cayman Islands National Museum	15 August 2013	Qualified	
Cayman National Cultural Foundation	31 October 2013	Unqualified	
Cayman Islands Stock Exchange	14 December 2011	Unqualified	13 March 2013
Cayman Turtle Farm (1983) Ltd.	26 October 2011	Qualified	10 Jan 2013
Children & Youth Services Foundation	29 October 2013	Qualified	
CINICO	19 June 2012	Unqualified	13 March 2013
Civil Aviation Authority	28 October 2011	Qualified	
Electricity Regulatory Authority	31 October 2011	Unqualified	
Health Services Authority	17 October 2012	Qualified	13 March 2013
Information and Communications Technology Authority	19 October 2011	Qualified	
Maritime Authority of the Cayman Islands	28 February 2012	Unqualified	13 March 2013
National Drug Council	31 October 2012	Unqualified	
National Gallery of the Cayman Islands	3 May 2012	Qualified	11 December 2013
National Housing Development Trust	28 June 2012	Unqualified	5 November 2012
National Roads Authority	24 October 2011	Qualified	31 August 2012
Port Authority of the Cayman Islands	30 July 2012	Qualified	11 December 2013
Public Service Pensions Board	28 June 2012	Qualified	
Segregated Insurance Fund	31 October 2011	Unqualified	13 March 2013
Sister Islands Affordable Housing Development Corporation	4 April 2014	Disclaimed	
Tourism Attractions Board	6 March 2013	Qualified	11 December 2013
University College of the Cayman Islands	19 October 2012	Unqualified	15 March 2013
Water Authority of the Cayman Islands	26 October 2011	Qualified	13 March 2013

APPENDIX D - DEFINITIONS

The opinions that I can render on an entity's financial statements and their definitions are as follows:

- **Unqualified** - The information contained in the financial statements can be relied upon;
- **Qualified** - A qualified opinion means that a portion of the financial statements cannot be relied upon, but that the rest of the statements can be relied upon by the reader;
- **Adverse** - There are such significant deficiencies with the information in the financial statements they should be considered unreliable for the user and the information contained therein is not trustworthy; and
- **Disclaimer** - I was not provided with sufficient information to conduct an audit.

The definitions of the audit status are as follows:

- **Finalized** - Financial statements completed/draft opinion provided (awaiting approval by entity)
- **Substantially complete** - Financial statements submitted/audit fieldwork complete
- **In progress** - Financial statements submitted/audit in progress
- **Not commenced** - Financial statements submitted/audit not started due to clearance of backlog