



ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2020

DELIVERING VALUE

***To help the public service
spend wisely***

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FOREWORD BY THE AUDITOR GENERAL

Providing Value to the People of the Cayman Islands

I am delighted to present the Annual Report of the Office of the Auditor General (“Office” or “OAG”) of the Cayman Islands for the year ending 31 December 2020 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.

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).

2020 was a challenging year globally with the onset of the COVID-19 pandemic and the disease reached the Cayman Islands in early March. Its impact severely affected our work and the work of our clients for the remainder of the year. That said, we did not stop working and adapted rapidly, managing to deliver 27 entity financial audits by the 30th April 2020 statutory deadline and ended the year with a back log of only nine entity audits (relating to six entities) and two Entire Public Sector (EPS) audits. This was despite having to transition to remote working at minimal notice from March 24th 2020, having many of our clients



unable to access their systems and offices for some months and losing Patrick Smith, Deputy Auditor General (Financial Audit) to the COVID response team where he chaired the Relief Aid Management Emergency Supplies Team from mid-March 2020.

In this unprecedented year, we still managed to achieve our output agreement target with the Government of producing three to five audit reports annually by publishing performance audit reports on the Utilities Regulation and Competition Office and Government’s approach to budgeting, as well as a public interest report on COVID-19 expenditures, and our general reports on both the 2018 (published February) and 2019 (published December) entity financial audits.

The PAC remained active throughout 2020 and I was pleased to support their witness sessions where they explored the efficiency of Summary Courts, the school education system and the value for money of our Utilities Regulation and

Competition Office based on our performance audit reports, the financial management of the Turtle Centre based on our recent financial audit reports and their own enquiry into the administration of private pension plans. PAC also chose to recognize the improvement in the Government's financial management through holding a certificate awarding ceremony in August 2020 in which the PAC recognised those public sector entities that received timely unqualified audit opinions on their financial statements for the 2018 and 2019 financial periods.

Improvements in the timeliness and quality of financial reporting in Cayman's public services continues and the next step is to deliver an integrated financial and non-financial performance reporting framework to help with accountability and for Government to make rational and well-informed decisions to better serve the people of this country. Our 2020 budgeting performance audit report also identified a large number of ways the budgeting system could also be improved to the benefit of the country. These areas should be given priority focus during 2021.

During 2020, COVID-19 meant that my office and all our public sector clients prioritized getting on top of and responding to this emergency situation and keeping essential statutory services going rather than focus on any other developments and innovations. However, in December 2020 the Cayman Islands Legislative Assembly transitioned to become an independent Parliament and so from 2021 we will become the statutory auditor of the Cayman Islands Parliament which will be an interesting development for the Office's

business and a key focus for us along with introducing an Auditor General Act, putting a full quality assurance framework in place, developing a full IT strategy and set of policies, and appointing a third audit manager to oversee quality assurance and IT related matters. These strategic priorities did not get progressed as well as hoped during 2020 and so remain priorities for 2021.

Our strategic plan (2019-2023) remains current and includes the following four objectives for the Office:

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

The achievement of these objectives is driven by the core activities of the OAG: the financial audits of Government and its entities, and performance audits reporting on the economy, efficiency, and effectiveness of the Government's activities and public spending. We deliver a greater impact by working closely with the PAC in holding Government to account for its spending and for providing value for money in public services and supporting PAC is always a key focus of mine.

Strategic Priority Area 1: Strengthening Public Services

- Timely conduct of high-quality, evidence based, relevant audits.
- Impactful recommendations.
- Follow up on implementation of recommendations.
- Drive transparency in the public service.
- Drive accountability.

Progress against these objectives was reasonably strong during 2020 but we did not complete a follow up report on past PAC recommendations as planned due to difficulty in getting traction with clients due to the COVID-19 pandemic.

Strategic Priority Area 2: Demonstrating Relevance

- Focusing our work on issues of national importance or priority, and at a point in time when the impact is greatest.
- Communicate clearly and effectively with all stakeholders.
- Ensure efficient and effective audits, leveraging technology where possible.
- Adding value to the clients' business.
- Actively contribute to improving both the regional and international audit community.

Progress against these objectives was also reasonably strong during 2020 and while not planned, Patrick Smith's transfer to Government to play a key role in responding to the COVID-19 pandemic and our publication of a public interest report in July on the costs of the pandemic were perhaps the best examples of us prioritising an issue of national importance.

Strategic Priority Area 3: Leading by Example

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

Progress against these objectives was good during 2020 with work picking up on the development of the Auditor General Act which is planned to be introduced to Parliament after the April 2021 elections.

Strategic Priority Area 4: Developing our People

- Provide a continuous learning and development environment for staff.
- Be an exemplar employer.
- Develop Caymanians in public sector audit.

Progress against these objectives remained strong during 2020 and it is particularly pleasing that again we received excellent staff survey results (see detail on page 27) but regrettably, the pandemic meant our Caymanian trainees were denied the opportunity to travel and take their professional exams during 2020.

Our cross-government perspective places us in a powerful position to understand the systemic issues that prevent the Government from achieving its objectives. Therefore, we have a great opportunity to work collaboratively with government officials to provide a greater impact by adding value and looking for ways to support Government as it implements its change and reform agenda, and delivers a number of key infrastructure projects.

The Office's ability to achieve its objectives depends on the efforts of many people.

For example, legislators support the work of the Office by providing the funds needed to audit

the Government. Adequate funding helps the Office meet legislators' and the public's expectations. Also, the legislators' review of the reports of the Office through the PAC helps ensure that our work adds value by holding government officials to account and recommending improvements. I am grateful to the 2017 to 2021 PAC members, Mr. D. Ezzard Miller, the Chairman and Ms. Barbara Conolly, Mssrs. Bernie Bush, Chris Saunders, Austin Harris and from 2020, David Wight, for their unwavering commitment to their PAC responsibilities, their excellent attention to detail in the conduct of witness sessions and their ongoing support for the work and value of my Office. It has been a pleasure to serve them during the past four years.

Government officials and our appointed auditors that we use for several entity audits also contribute to the Office's success. Without the co-operation and assistance of government officials we would be unable to report on the quality of their management to the Legislative Assembly.

Finally, I want to thank the dedicated team of staff who contribute their experience, skills and hard work to fulfill our mandate in providing assurance and advice to the Legislative Assembly and the Government. The reports issued to the Legislative Assembly are the result of their hard work.



OAG staff

I look forward to continuing to lead the Office, so that we continue to play our part in helping the public service spend wisely for the present and future benefit of the people of the Cayman Islands.

Sue Winspear, CPFA
Auditor General

24 March 2021

ABOUT THE OAG

PUBLIC SECTOR AUDIT

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

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

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

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

The Cayman Islands Constitution

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

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

members who provide resources and are representatives of the people, and outward to citizens and users of public services. Public sector audit adds value, not only by reviewing and reporting on what happened, but also by looking forward, identifying where improvements can be made, and promoting good practice. In this way public sector audit contributes to improved standards of governance, better management and decision making, and more effective use of public money.

WHO WE ARE AND WHAT WE DO

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

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

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

The Office also does the following:

- supports the PAC in carrying out its mandate;
- makes recommendations for improvement in the Government's management of public resources and public services;
- encourages discussion and debate about public sector management and accountability issues;
- provides advice to government committees;
- encourages professionalism in the public service;
- develops marketable professionals for the public sector and more widely;
- adheres to the professional assurance standards as published by the International Audit and Assurance Standards Board and the International Organisation of Supreme Audit Institutions (INTOSAI);
- supports Supreme Audit Institutions (SAIs) in the Caribbean region independently and through the Caribbean Organisation of Supreme Audit Institutions (CAROSAI); and
- plays an active role in the global public service audit field including serving on the INTOSAI working group which leads on the development of a global public sector auditing competency framework.

The work and reports of the Office 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 STRATEGY

The OAG's five-year strategic plan for 2019–2023 includes the following four strategic objectives:

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

Exhibit 1 and the Auditor General's introduction provides more detail on each of the strategic objectives.

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

We have already started to implement some elements of the new strategy. For example, we have introduced annual operational resource

plans to better support the delivery of our work (see pages 21–23 for more detail). Focusing on our new strategic objective of continuously developing our people has further increased staff satisfaction in relation to learning and development and their relationship with their manager (see page 27 for more information on the 2020 employee engagement results).

We have also continued to develop our other corporate planning mechanisms, including operations and resources, to support the strategic planning of the Office.

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

Exhibit 1 – OAG Strategic Objectives

1. Strengthening Public Services We will help strengthen accountability, transparency, 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 enshrined in legislation. We provide a credible, reliable and evidence-based source of information to government, legislators and society and can contribute to strengthening the public sector through our audits, by using our powers of reporting, and our interaction within and outside the public sector, on matters such as governance, accountability, financial sustainability and the efficient, effective and economic use of resources.	2. Demonstrating Relevance In our work we will demonstrate our relevance by taking into account the views of our external stakeholders, including those who use public services, and ensure that we are focusing on the areas most relevant to them. We place great importance on relationships with all of our stakeholders: the Legislative Assembly and particularly the PAC, elected and appointed officials, public entities, professional organisations, and all people of the Cayman Islands. 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.
3. Leading by Example We will 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.	4. Developing our People We will continuously invest in OAG staff through targeted professional development, coaching, mentoring, and offering an appropriate reward package (recognising our constraints as part of the civil service). To effectively deliver on our mandate, it is essential that the Office have a motivated, skilled and high-performing workforce that can effectively meet the challenges demanded by our diverse range of work. To meet our profession's requirements, we are also obligated to ensure that our staff maintain and enhance certain professional skills, knowledge and capacity to carry out their duties. We will focus on enriching jobs, developing skills and capacity, and creating opportunities for career progression within or outside of the OAG. We will actively work to increase the number of Caymanians in our Office through offering professional training opportunities to build a pipeline of qualified auditors for the future.

OUR WORK

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

FINANCIAL AUDIT

Our financial audit work helps the Legislative Assembly hold organisations to account for around \$980 million of annual expenditures, over \$2.9 billion in total assets and \$1.4 billion in total liabilities. Our audits provide independent assurance to the Legislative Assembly on how public money has been spent, how revenue has been generated, and whether assets have been safeguarded and liabilities are fully recognised.

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

ENTITY FINANCIAL STATEMENTS

In 2020, we completed the 2019 financial statements audits of 36 individual entities (Ministries, Portfolios and Offices and Statutory Authorities and Government Companies (SAGCs)). By the end of the statutory deadline of 30th April, we had completed and issued audit opinions for 27 entities. This was a

significant achievement given that all of our staff and finance staff across the public sector were working remotely as the Cayman Islands were in lockdown from mid-March as a result of the COVID-19 pandemic.

During 2020 we worked cooperatively with the Government to try and clear the backlog of audits. The Deputy Governor and our Office also maintained pressure on entities and their senior management to ensure their concerted effort to complete all outstanding financial statements by 31 December 2020. However, this target was not quite achieved.

During 2020, we completed two audits from the prior year (Cayman Airways Limited and Cayman Turtle Conservation and Education Centre Limited).

As at 31 December 2020 there were nine audits of entity financial statements outstanding (31 December 2019: seven). The audits of the financial statements of Cayman Islands Airport Authority (CIAA) and Ministry of Health for 2016–17 (18-month period) and 2018 had yet to be completed. For 2019, five entities' financial statement audits had yet to be completed at the year-end: Ministry of Health, CIAA, Cayman Airways Limited, National Housing and Development Trust (NHDT) and the Utilities Regulation and Competition Office (URCO).

Of the seven audits that were backlogged in 2019, three were completed during 2020, while the audits for CIAA (two audits) and the

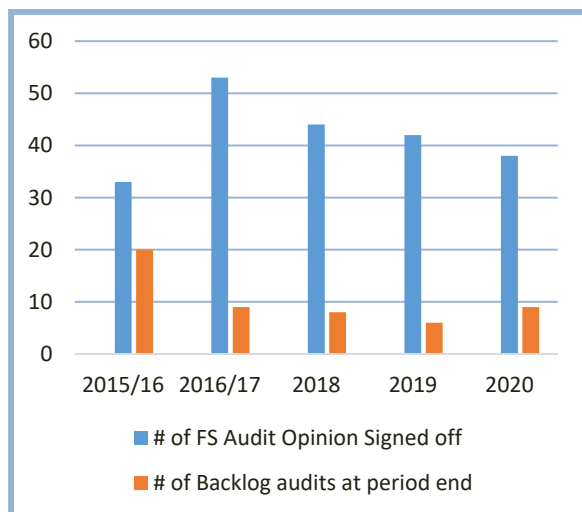
Ministry of Health (two audits) remained outstanding. In 2020 the 2019 audits for both CIAA and Ministry of Health increased the total number of their backlogged audits to three each, and there were a further three entities (noted above) whose 2019 audits remained incomplete as at 31 December 2020.

The prolonged delays in completing the financial statements audits were a result of a variety of client-related issues.

During 2020 we issued a total of 38 audit opinions on financial statements of individual entities (2019: 41). As outlined above, 36 of these were for the most recent year (2019: 36).

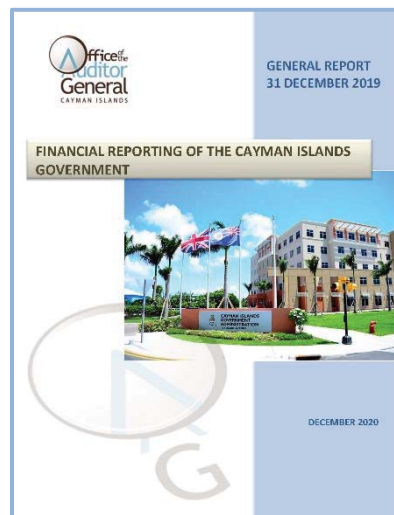
Exhibit 2 shows the trend in the number of financial statement audit opinions that we have signed off for each of the five financial periods from 2015–16 to 2020.

Exhibit 2 – Number of entity financial statement audit opinions signed during the financial year and the number of backlogged audits at the period end



IMPACT OF OUR FINANCIAL AUDIT WORK

During 2020, the Office published two General reports summarising the financial performance of core government entities and SAGCs. We published the General Report summarising information from the 2018 financial statements in February 2020, and published the General Report summarising information from the 2019 financial statements in December 2020.



The General Reports show that our work is having an impact on the timeliness and quality of financial reporting.

Exhibit 3 overleaf shows that the quality of annual accounts have improved considerably over the last ten years (2009–10 to 2020).

However, significant work is still required before financial accountability is fully restored and the Government has reliable and timely financial information for accountability and decision making.

Exhibit 4 overleaf shows the trend in the number of financial statement audits completed, the number of backlogged audits, and the number of financial statements and annual reports tabled in the Legislative Assembly for each financial period. This shows

that although progress is being made on financial statements audits being completed there is still a way to go on entities' Annual Reports being made public in a timely manner.

We will continue working with the Government to improve the quality and timeliness of financial reporting, so that the goal of having accountability in line with the statutory requirements is achieved.

Exhibit 3 - Quality of all entity financial statements

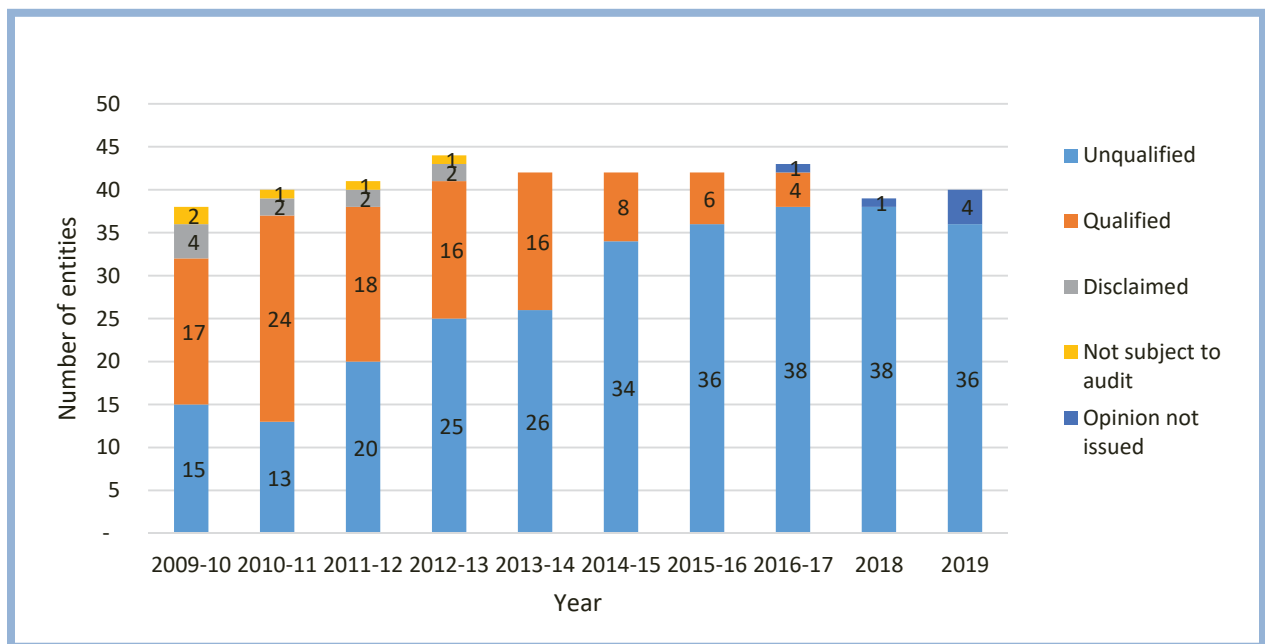


Exhibit 4 – Status of current and prior year entity audits

Year	Number of Entity Audits	Audits Completed	Audits Outstanding	Annual Reports / Financial Statements Tabled in the Legislative Assembly
2019	41	36	5	18
2018	40	38	2	22
2016-17	44	42	2	30
2015-16	42	42	0	35
2014-15	42	42	0	33

Note: Financial statements are audited during the following financial year e.g. the 2019 financial statements were audited during 2020.

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 that are not reported in any of the individual entity financial statements. As well, the EPS financial statements include the coercive revenues (meaning revenue earned by the core government using the coercive power of the state and for which no direct exchange of service occurs).

During 2020, we started, but did not complete, the audit of the EPS financial statements for financial year 2018. The EPS financial statements for 2019 are currently in the planning stage. The commencement of the 2019 EPS audit was delayed as there were a number of 2019 entity audits in a backlogged stage and the outcome of these audits materially impacted the financial reporting of the EPS. It was therefore agreed between the Treasury and OAG that the commencement of the 2019 EPS audit would be deferred until the entity audits were completed.

Although there remains a backlog for the audit of the 2018 and 2019 financial statements, overall EPS financial statements are being signed off in a timelier manner.

Exhibit 5 overleaf outlines the progress made in the EPS financial statements over the years and shows that audit opinions moved from a disclaimed opinion to an adverse opinion in 2012–13. Audit opinions for subsequent years have continued to be adverse as some significant issues remain are still to be addressed.

As highlighted previously for core government entities and SAGCs, there are also delays in tabling the audited EPS financial statements in the Legislative Assembly. The last set of EPS financial statements tabled was for financial year 2014–15 in March 2017. Despite the audits of the 2015–16 and 2016–17 EPS financial statements being signed off they have yet to be tabled in the Legislative Assembly and three sets of signed EPS financial statements from earlier years have yet to be tabled. This reduces transparency and accountability.

Exhibit 5 – EPS audit progress

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

AUDITING STANDARDS AND ETHICS

We conduct our financial audit work in accordance with International Standards on Auditing (ISAs), also paying regard to International Standards of Supreme Audit Institutions (ISSAIs). The audits are delivered by staff who are qualified members of professional accountancy bodies or working under a qualified member. During the year, fifteen financial statement audits were conducted by local audit firms on behalf of the Office of the Auditor General for the 2019 financial year. See Appendix 1 for a listing of who conducted these audits.

As public auditors we have to ensure our independence and effectiveness through the application of a Code of Conduct prescribed by the International Federation of Accountants and

ISSAI 30, along with the code of ethics for Supreme Audit Institutions. The Auditor General performs the role of the ethics partner and provides advice on compliance with the standards.

PERFORMANCE AUDIT

A fundamental part of our remit is to conduct audits of whether the Government and the wider public sector carries out their business economically, efficiently, and effectively. Performance auditing is carried out in accordance with the ISSAIs. Individual performance audits are based on a planned and published programme of work. The OAG published the five-year performance audit work programme for 2019–2023 in July 2019, which can be found on our website ([Performance Audit Programme 2019–2023](#)). In May 2020, the OAG refreshed the performance audit programme for 2020 and 2021 as a result of the COVID–19 pandemic. We also published this on our website [COVID-19: What it means for public audit in the Cayman Islands](#).

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 Legislative Assembly.

During 2020 we issued two performance audit reports:

- *Efficiency and Effectiveness of the Utility Regulation and Competition Office (OfReg) (June 2020); and*
- *Improving Financial Accountability and Transparency: Budgeting (December 2020).*

We also issued one public interest report:

- Overview of the Government’s costs in relation to COVID–19 (July 2020).

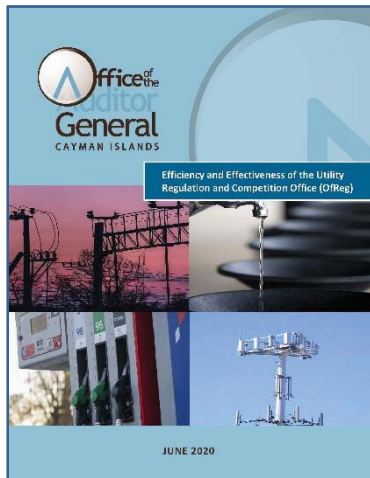
As at 31 December 2020, work was underway on four additional performance audits. These were:

- The continuation of the Improving Financial Accountability and Transparency series – two reports on Financial Management and Reporting; and Long-Term Financial Sustainability (including an update on the impact of COVID-19 on government finances).
- HSA’s Out-Patient Pharmacy Services; and
- Government’s online services.

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

IMPACT OF OUR PERFORMANCE AUDIT WORK

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

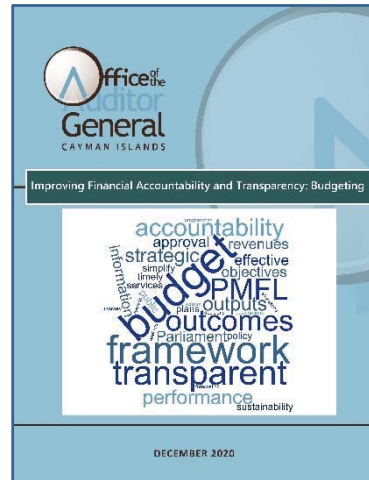


In June 2020 we issued our report *Efficiency and Effectiveness of the Utility Regulation and Competition Office (OfReg)*. The performance audit reviewed the governance,

strategy, performance and value for money of OfReg in its first three years of operation.

The report concluded that due to a lack of performance measures it was impossible to assess the efficiency and effectiveness of OfReg, and identified a number of issues and areas for improvement. The report made 16 recommendations for OfReg (12) and the Cayman Island Government (4). OfReg and the Government accepted all of the recommendations made.

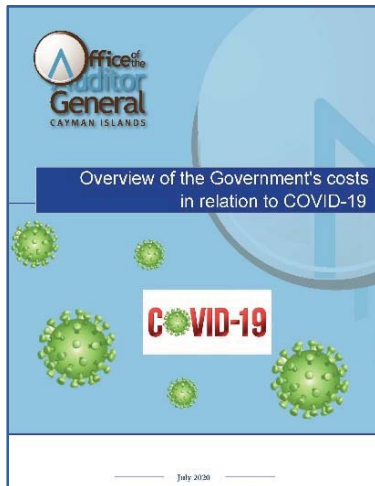
The PAC held witness hearings on this report in July 2020, which further helped to inform the debate and identify additional areas for improvement.



In December 2020 we issued our report *Improving Financial Accountability and Transparency: Budgeting*. This report was the first in a series of three on improving

financial accountability and transparency across government. The report followed up on previous OAG reports from 2013 and 2017 where we had made a number of recommendations aimed at simplifying the budget process. The report concluded that overall the budgeting process is not effective or transparent. It found that limited progress had been made since our earlier recommendations and that there was significant scope for improvement. The report made a total of 17 recommendations to improve the budgeting framework and process, including shifting to an outcomes-based approach. The Government accepted the recommendations made in the report and aims to implement these in time for the 2024–2025 budget.

The PAC had scheduled witness hearings on the report for January 2021.



In July 2020 we issued a public interest report *Overview of the Government's costs in relation to COVID-19*. This report provided a factual summary of the Government's response to the

COVID-19 pandemic and a position statement of the costs incurred to 19 June 2020 and the estimated costs of commitments made at the same date.

The report identified that as at 19 June 2020 the Government has spent \$21.5 million on COVID-related activities and had committed a further \$25 million. The largest element of spending to June was in relation to healthcare activities.

SUPPORT AND ASSISTANCE TO THE PAC AND THE LEGISLATIVE ASSEMBLY

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

During 2020 the PAC was under the Chairmanship of the Hon. D. Ezzard Miller; the rest of the committee members were: Ms. Barbara Conolly and Messrs. Bernie Bush, Austin Harris, Chris Saunders and David Wight.

During 2020 the PAC held 12 administrative meetings and 14 days of public hearings on three of our reports and on issues arising from financial statements audits and annual reports, to discuss and gather further evidence before

preparing its own reports to the Legislative Assembly. Members of our Office were in attendance at all of those meetings.

The PAC received two general reports from our Office *Financial Reporting of the Cayman Islands Government – General Report 31 December 2018* (issued to the Legislative Assembly in February 2020) and *Financial Reporting of the Cayman Islands Government – General Report 31 December 2019* (issued to the Parliament in December 2020). The reports covered the financial statements audits of all public sector entities for the respective financial years.

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

The PAC received two performance audit reports during 2020 (see above and Appendix 2 for detailed information on the reports) and held public witness hearings on one of those reports. It also held witness hearings on two OAG reports from 2019. The public hearings covered the following reports:

- *School Education (October 2019)* – one hearing in February 2020.
- *Efficiency of Summary Courts (November 2019)* – one hearing in February 2020 and one in March 2020.
- *Efficiency and Effectiveness of OfReg (June 2020)* – five hearings in July 2020.

The PAC continued to delay any public hearings on the report *Owen Roberts International Airport (ORIA) Terminal Redevelopment Project: Progress update as at 30 August 2018*, due to the commercial sensitivities within the report at the time and the fact that the final costs of the

project were not known by the end of 2020. The PAC subsequently agreed to hold hearings on this report in January 2021.

The PAC also held hearings on two public entities after considering their annual reports and financial statements. The public hearings covered the following:

- Department of Labour and Pensions (formerly the National Pensions Office) Annual Reports – three hearings in June 2020.
- Cayman Turtle Conservation and Education Centre Limited – Annual Reports and Financial Statements for the three financial year 2016–17, 2018 and 2019 – three hearings in November and December 2020.

During 2020, the PAC tabled five of its own reports.

On 1 July 2020, the PAC tabled four of its reports in the Legislative Assembly on the witness hearings held in 2019 and 2020, on four OAG reports issued during 2019:

- *Customs in the Cayman Islands (May 2019);*
- *Government's use of Outsourced Services (June 2019);*
- *School Education (October 2019);* and
- *Efficiency of Summary Courts (November 2019).*

On 12 December 2020, the PAC tabled one of its reports in the Parliament on the witness hearings held in 2020 on:

- *Efficiency and Effectiveness of OfReg (June 2020).*

COMMUNICATION AND ENGAGEMENT WITH STAKEHOLDERS

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

During 2020 the OAG team continued to meet and consult with stakeholders, although the scope to do this was limited somewhat by the COVID–19 pandemic. We provided information and advice on many issues around areas including financial accounting, procurement, governance and programme management. Specific activities undertaken included the following:

- The Auditor General held fortnightly meetings with the Governor and monthly meetings with the Deputy Governor. She also met with the Chief Officers of the various Ministries and Portfolios individually and with several CEOs/Managing Directors of the SAGCs.
- The Auditor General and the Deputy Auditor General (Performance Audit) met with many of the Chief Officers and CEOs/Managing Directors 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 Office also continued to maintain strong working relationships with key partners such as the Office of the Ombudsman, Anti-Corruption Commission, the Financial Crimes Unit, Internal Audit Services, Cayman Islands Institute of Professional Accountants (CIIPA) and private sector audit firms.

We also engage with the wider public through social media on our:

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

REGIONAL AND INTERNATIONAL WORK

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

Despite the COVID–19 pandemic the Office has continued to participate in a range of regional and international work during 2020. Some of this was undertaken prior to the pandemic reaching our shores in March 2020 but much was done remotely during the remainder of the year as we adapted our approaches to meet needs with the travel restrictions in place.

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

CAROSAI relies significantly on the contribution of its membership to support its activities. The OAG reduced its participation in the executive management of CAROSAI in 2019 but remains involved in CAROSAI and provides assistance as needed.

During 2020 we made the following contributions to CAROSAI and the Caribbean region:

- In early November 2020, the Auditor General presented at a CAROSAI webinar on the use of technology in auditing.
- Angela Cullen, Deputy Auditor General (Performance Audit) and Gabriel Ncube, Audit Project Leader, continued supporting the OAG in Montserrat during 2020 along with colleagues from the UK National Audit Office (NAO), as part of a UK Government (Foreign Commonwealth & Development Office) project. The project aims to support the development of the performance audit practice in the OAG Montserrat. In January, Angela and Gabriel visited Montserrat and continued to provide remote support during

the rest of the year until the OAG Montserrat issued its performance audit report.



Angela Cullen and Gabriel Ncube (right) in Montserrat with staff from UK NAO and OAG Montserrat, and the Auditor General of Montserrat (January 2020)

- Angela also supported the Office of the Auditor General in Bermuda to build its performance audit practice. In early April, she provided online training to three staff and the Auditor General in Bermuda.

OUR WORK WITH INTOSAI AND 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), both as CAROSAI's representative on INTOSAI committees and as an Office in our own right.

- The Auditor General participated in the Global Task Force working on International

Auditor professionalization (TFIAP) in June which was held by video conference rather than in person as planned. This group is working on developing and standardising the competencies required of public auditor around the world.

- Patrick Smith, Deputy Auditor General (Financial Audit) continued to support the IDI as a member of the working group on the audit professionalization in financial auditing.
- Angela Cullen, Deputy Auditor General (Performance Audit) continued to support the IDI Strategy, Performance Measurement and Reporting Initiative. In late January 2020 she travelled to Tbilisi, Georgia for a workshop on strategic planning. Throughout the year she participated in a number of webinars on operational planning, and supported the State Audit Office of Georgia in developing their performance results framework and operational plan to support the delivery of their Strategic Plan.
- In June, we started supporting the St. Helena audit office remotely with resources for their financial audit practice (their audit peak being from June to September). This allowed OAG staff Sasha Rochester and Kwame Afrane to get experience of undertaking financial audit in another jurisdiction and seeing their methodology and audit systems in practice. St. Helena will be reimbursing our Office for most of these costs and our staff were able to use up their TOIL/annual leave or work additional hours on this so that their OAG work was not impacted.
- In November, the Office's management team participated in an IDI webinar on Innovative SAls.

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. Some of the topics covered included the impact of coronavirus on auditing practice and resourcing, audit software, and quality assurance mechanisms.
- Ruel Huet spent two months (January and February) working in the UK NAO in Newcastle amongst their financial audit team working on the health sector gaining experience of their methodology and approaches.



Ruel Huet (centre) with colleagues from UK NAO Newcastle

- As part of the same programme, Alan Banks and Kelli Hart from the UK NAO joined us at the start of March to support our financial audit practice during our statutory audit period to help with our capacity. Their secondments were brought to an early and

abrupt end when they were recalled by the NAO on 19th March due to the global COVID–19 pandemic. The secondments were very worthwhile and successful nonetheless and moved several audits on considerably.



UK NAO colleagues seconded to OAG in March 2020

- In October 2020, the Auditor General was a guest speaker at a virtual Commonwealth Parliamentary Association UK workshop. The workshop was on public financial oversight and covered a range of topics and I presented on working effectively with the Public Accounts Committee in holding government to account.

OUR ORGANISATION

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

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

LEADING BY EXAMPLE

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

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

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

In 2020, the OAG continued consolidating the developments and significant changes that had occurred in the previous years. We continued to deliver the goals outlined in our strategic plan, including:

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

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 the SAI PMF (Supreme Audit Institutions Performance Measurement Framework) assessment, we carried out an analysis of the Office's independence against the independence principles for supreme audit institutions, which are supported by the United Nations General Assembly through a resolution. The key challenge identified was ensuring

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

These included the following:

- establishment of the OAG as an entity separate from Government;
- 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.

CONTINUOUS DEVELOPMENT OF OUR PROFESSIONAL PRACTICE

We are required to carry out our work in compliance with International Standards on Auditing (ISAs) and we are in the process of adopting International Standards of Supreme Audit Institutions (ISSAIs) which expand on the ISAs for application in the audit of government entities. We continue to integrate the ISSAIs into our audit methodology for both financial and performance auditing.

During the year, we continued to develop our financial and performance audit practices focusing on the further refinements to our audit software by building in the requirements of ISSAIs.

Unfortunately, the full implementation of our quality assurance framework has continued to be delayed due to other priorities, given finite management resources. We have identified this is a priority for 2021 and will dedicate resources to updating the framework and embedding the quality assurance of both of our audit practices.

In the coming year we will also work toward full implementation of the ISSAIs in our audit methodology. This will require the completion of manuals for both our financial audit and performance audit practices to support the updated Quality Assurance framework.

CORPORATE ACTIVITIES AND DEVELOPMENTS

The Office continued to receive an unqualified audit opinion on our 2019 financial statements, which were submitted and audited ahead of the statutory deadlines.

The OAG drafted its IT strategic plan in 2019 and this remains under development due to other work pressures. The key goal of the strategy is using information technology to improve internal operations and enhance our delivery of services to clients. The IT strategic plan identifies four guiding principles with supporting strategic objectives designed to improve the Office's business capabilities and systems:

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

During 2020, we commissioned PricewaterhouseCoopers (PwC), after a procurement exercise, to help us enhance our IT audit capacity and capability. As a result, we have expanded the number of IT assessments conducted for 2020 audit engagements, which will aid in enhancing our audit approach and provide our clients with valuable system improvement recommendations.

We have identified the completion of the IT strategic plan as a priority for 2021, when we expect it to also be fully implemented.

During 2020, we continued to develop our approach to operational planning and resource planning. We prepare an annual operational plan that sets out how we intend to deliver against our five-year strategic plan, and measure progress against this on a quarterly basis.

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.

OUR RESPONSE TO COVID-19

In March 2020, the COVID-19 pandemic hit our shores. The OAG contributed to the Government's efforts to combat the disease and our staff contributed in various ways.

We quickly equipped our staff to be able to work entirely remotely throughout the 'lockdown' as this coincided with our busy period for completing the audits of the 2019 financial statements. As mentioned earlier, we were able to complete the audits of 27 core government entities and SAGCs by the statutory deadline of 30th April.

In mid-March, OAG staff quickly collected over \$1k and donated this in vouchers to the Department of Children and Family Services to distribute to families with children in need during the COVID-19 pandemic.

Sue Winspear, Katrina Thomas and Zenobia Badley volunteered at quarantine facilities, helping to distribute meals to people in quarantine.



Katrina Thomas and Gay Frye of the OAG presenting vouchers to Acting Director of DCFS Nicole Carter

In mid-March, Patrick Smith, Deputy Auditor General (Financial Audit) moved to work full-time on the Government's COVID-19 crisis response. As part of this work, Patrick was Chair of the Relief Aid Management Emergency Support Team, which was a sub-set of the Government's Hazard Management Support Services Cluster. He had particular responsibility for sourcing and securing essential supplies.



Patrick Smith (right) delivering essential PPE to the Prison Director (April 2020)

COMMUNITY INVOLVEMENT

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

As a result of the COVID-19 pandemic in 2020, many community activities were cancelled or rescheduled to late 2020 or 2021 due to limits on the number of people able to gather. However, our staff continued to play a part in the community wherever they could.

In October of 2020, during Breast Cancer Awareness month, the Office had a pink dress down day with the Office of the Ombudsman. All donations collected by staff were given to the Breast Cancer Foundation.

Sue Winspear, Auditor General and Angela Cullen, Deputy Auditor General (Performance Audit) also volunteered as cashiers in October 2020 at the Breast Cancer Foundation Gala dinner.



Katrina Thomas, Erin McLean and Alicia Palmer (Office of the Ombudsman) presenting a donation to Chief Administrator Janette Fitzgerald of the Breast Cancer Foundation

OUR PEOPLE

The Senior Management Team



Sue Winspear, CPFA, Auditor General

Responsible and accountable for the overall management of the Office.



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

Responsible for managing our in-house financial audit practice and some corporate activities.



Angela Cullen, CPFA, Deputy Auditor General (Performance Audit)

Responsible for managing our performance audit practice and some corporate activities.

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

The office is organised into two management teams: the Corporate Management Team (CMT) comprising

the Auditor General, Deputy Auditors General and Corporate Services Manager who set the policy direction, review the financial and staffing performance of the Office and take all decisions relating to the corporate functions of the OAG; and the Practice Management Team (PMT), comprising the Auditor General, Deputy Auditors General and Audit Managers who set the direction and oversee all audit practice related matters.

The management was supported during the year by a team of ten audit staff (twelve from September 2020), two audit trainees and an administrative officer. Our auditors are all fully qualified members of professional accountancy bodies, with the exception of one who is part-qualified and the two audit trainees.

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>.

Corporate Management Team includes Senior Management Team (above) and the Corporate Services Manager.



**Katrina Thomas,
Corporate Services
Manager**
Manages OAG's
corporate functions.

Practice Management Team includes Senior Management Team (above) and the two Audit Managers.



**Julius Aurelio, CPA,
Audit Manager**
Manages a portfolio of
performance, financial
and IT audits.



**Winston Sobers, FCCA,
Audit Manager**
Manages the majority of
in-house financial audits.

OUR STAFF ENGAGEMENT

Our staff are important to us, which is reflected in our 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.

As in previous years, the Office participated in the Cayman Islands Government staff engagement survey in late 2020. This allows us to measure our own staff engagement and benchmark against the rest of the civil service.

In 2020, 95 per cent of our staff responded to the survey and we are delighted that we continue to have excellent results. Exhibit 6 overleaf provides a summary of the staff survey results, showing overall employee engagement at 88 per cent (2019: 87 per cent) and the overall scores for the other nine indicators.

Exhibit 6 - OAG Employment Engagement Survey 2020

Engagement Index 88% Difference from 2019 survey +1 Difference from CIG high performers +8 Difference from CIG +16	My work 96% Difference from 2019 survey +3 Difference from CIG high performers +15 Difference from CIG +20
Organisational Objectives and Purpose 100% Difference from 2019 survey 0 Difference from CIG high performers +11 Difference from CIG +13	Resources and Workload 96% Difference from 2019 survey +1 Difference from CIG high performers +17 Difference from CIG +21
Leadership and Managing Change 97% Difference from 2019 survey -1 Difference from CIG high performers +25 Difference from CIG +40	Pay and Benefits 52% Difference from 2019 survey +9 Difference from CIG high performers +1 Difference from CIG +10
My Manager 93% Difference from 2019 survey -2 Difference from CIG high performers +20 Difference from CIG +28	Inclusion and Fair Treatment 98% Difference from 2019 survey +3 Difference from CIG high performers +19 Difference from CIG +29
My Team 97% Difference from 2019 survey -3 Difference from CIG high performers +18 Difference from CIG +23	Learning and Development 95% Difference from 2019 survey +2 Difference from CIG high performers +29 Difference from CIG +35

STAFF 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.

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. During 2020 we updated our competency framework and performance appraisal forms to align with the global competency framework for public sector auditors (referred to in Regional and International Work). 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.

During 2020, we also updated our Learning and Development plan to align with the new competency framework. The plan ensures 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. We aim to update the learning and development plan on an annual basis.

During the year, our two audit trainees continued their studies for their professional accountancy qualifications. Although their plans did not come to fruition as a result of the COVID-19 pandemic and limitations on international travel which meant that they could not take any examinations.

We continued to develop our in-house performance audit practice. This has helped develop the skills and experience of our audit staff in this type of audit; and create more synergy between our two audit practices. By the end of 2020 almost all audit staff had worked on a performance audit.

During the year, we provided all of our APLs that were in post at the beginning of the year, with an acting Audit Manager opportunity along with their substantive APL roles. We did this on a rotational basis for two to three months at a time. This provided staff development opportunities, specifically in relation to financial audit review and management work, and allowed us to cover our vacant Audit Manager role in a creative way.

Gay Frye was seconded to Cayman Islands Bureau of Financial Investigation (CIBFI) throughout 2020 working on international financial crimes. This provided Gay with a development opportunity and the OAG supported her in undertaking a relevant qualification in this subject. The secondment also allowed the OAG to support the Bureau with our skills in dealing with what is a national priority in Cayman.

As part of our commitment to developing our staff, we look for opportunities for staff to contribute to and support the international auditing community. The scope for this was limited during 2020 because of the COVID-19 pandemic and a number of planned activities were put on hold.

However, as outlined earlier in the section on Regional and International work, two staff were able to take up these opportunities. Gabriel Ncube continued to support the OAG in Montserrat, and Ruel Huet was seconded to the UK National Audit Office (NAO) financial audit team in Newcastle as part of the UK Overseas Territories “Better Governance of Public Finances” programme. The majority of staff

also benefitted from numerous virtual training and development events, many of which were international.

Our staff also participated in a number of Office-wide activities and events during the year that aimed to develop the capacity of our employees, including the following:

- In January 2020, staff participated in the OAG's annual retreat, which is essential time away from the office. The retreat covered technical updates, team building exercises and we heard inspirational speakers share their insights on leadership, communications and getting the best from millennial workers.
- In December the majority of our staff attended the CIIPA Summit, which was held virtually this year. The Summit included sessions on: government and economic updates; digital upskilling; resourcing and leadership.

- The annual update on International Public Sector Accounting Standards (IPSAS) for public sector accountants and auditors, organised by CIIPA was deferred until January 2021.

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.

The Auditor General sits on the CIIPA steering committee that is responsible for planning the Summit as well as the CIIPA Ethics Committee and CIIPA Public Sector Committee while Julius Aurelio, Audit Manager, serves on CIIPA's training Committee.



OAG annual staff retreat (January 2020)

RECOGNISING OUR STAFF

The OAG has a long-service award scheme to formally recognise employees' contributions to the Office at five-year intervals.

During 2020, the following staff received long service awards – Patrick Smith, Gay Frye, Ruel Huet, Tricica Boyce, Wilma McLaughlin, and Kwame Afrane.



Patrick Smith (15 years) and Kwame Afrane (5 years) receiving their long service award in September 2020.

OUR RESOURCES

This section provides a summary and a trend analysis of our use of financial, human and capital resources. The full audited accounts of the OAG are in the next section of the report, and details of the outputs delivered are in Appendix 3.

FINANCIAL STATEMENT TREND ANALYSIS AND DISCUSSION

REVENUE ANALYSIS

Audit services to PAC



Expressed in Cayman Islands Dollars (Thousands)

Revenue from audit services to the PAC is directly related to the number of reports and the complexity of those reports that we issue to the Legislative Assembly each year.

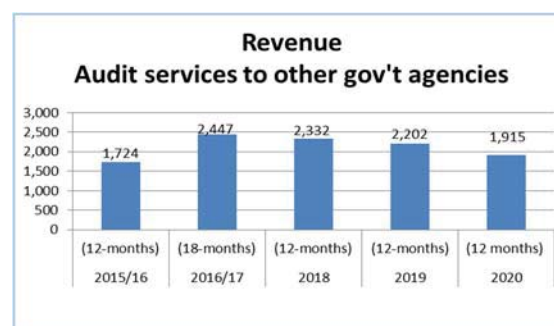
The revenue generated from services to the PAC in 2020 was \$568k. This is significantly less than budgeted and lower than the previous three years. This reduction in revenue is as a direct result of the COVID-19 pandemic. During 2020, we rescheduled our performance audit (PA) programme as we were unable to start new audits as planned and PA staff were diverted to work on financial audits during the peak 2019 financial statements' audit period due to the Deputy Auditor General (Financial

Audit) being seconded to the NEOC as discussed above in our COVID-19 response.

In 2020, we issued five reports to the PAC and five were in progress at the year-end (2019: five reports issued and three in progress).

In comparing to earlier years it is worth noting that the Office has also been using more in-house staff rather than consultants to carry out performance audits since early 2017; and from 2018, the Auditor General's full salary and pension were charged directly to the PAC as a statutory expense.

Audit services to other government agencies



Expressed in Cayman Islands Dollars (Thousands)

During 2020 we generated \$1,915k in revenue from audit services, which is less than in 2019 and the budget.

During 2020 the financial audit practice generated less revenue than in the prior year and budget due to various factors.

As a result of the COVID-19 pandemic the Deputy Auditor General (Financial Audit) was seconded to NEOC which reduced his billable time; and due to the 'lockdown' staff recorded a higher level of administrative time as it was not possible to directly engage with all clients

especially during the early days of the pandemic.

Additionally, during 2020 we had one audit staff member who was seconded to a Cayman Islands Bureau of Financial Investigation (CIBFI), and a staff member seconded to the UK NAO, both of these secondments reduced the financial audits revenues generated for 2020.

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

EXPENSE ANALYSIS

Personnel costs



Expressed in Cayman Islands Dollars (Thousands)

In 2020 personnel costs were \$2,231k, which was slightly higher than in 2019. This reflects the fact that two new staff joined us in the second half of the year (August and September) and a cost of living award for all staff effective January 2020.

Over the five-year period, personnel costs have increased. This is due to cost of living awards to some staff in December 2016 and to all staff in July 2018 and January 2020.

Actual expenditure on personnel in 2020 was less than budgeted (by \$215k) as a result of new staff not being appointed until later in the year.

Our staffing establishment increased to 21 FTEs in 2020 (up from 20 FTEs since 2018). The actual number of staff in post at 31 December 2020 was 21.

Operating costs



Expressed in Cayman Islands Dollars (Thousands)

Operating costs in 2020 was \$329k, which was similar to the previous two years, but \$200k less than was budgeted.

The variance between actual and budget in 2020 is largely due to a reduction in the use of consultants for performance audits as due to the COVID-19 pandemic. The pandemic also limited our ability to conduct office travel which reduced operating expenses by \$35k.

Revenue and expenses discussed in this section do not include the work undertaken on behalf of the Office by private sector audit firms. If those audits were accounted for

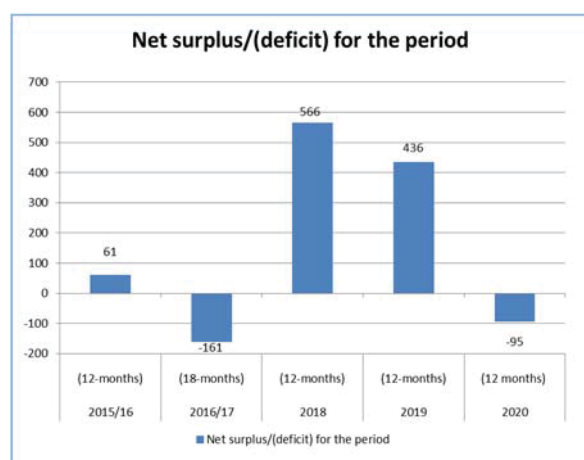
through the Office's financial statements, revenue and expenditure would each increase by approximately \$890k.

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

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

SURPLUS/(DEFICIT) ANALYSIS

Surplus/(deficit)



Expressed in Cayman Islands Dollars (Thousands)

The Office incurred a deficit of \$95k in 2020.

The Office had budgeted for a surplus of \$65k. The actual financial performance differed from that budgeted due to lower revenues than expected from PAC and for

audit services provided to government agencies. The reasons for the lower than budgeted revenues are explained above. However, as highlighted above, both our personnel costs and operating expenses were less than budgeted.

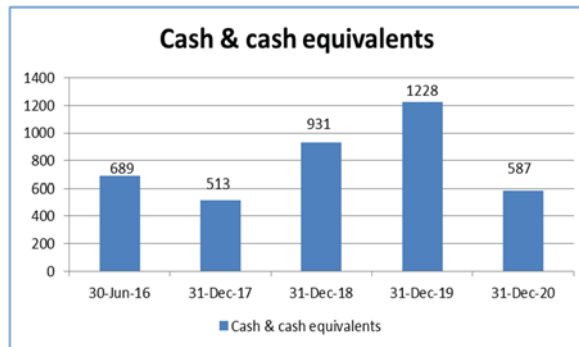
Our goal is to generate a small surplus on a year-to-year basis.

The Office has generated surpluses in three of the past five years. The deficit in 2016-17 of \$161k was a direct result of the fiscal period being 18 months and the audit fees generated for that period were less than the cost of operating for the 18 months.

More detailed financial information is contained in our financial statements (see pages 44 - 71).

STATEMENT OF FINANCIAL POSITION TREND ANALYSIS ON SELECT ITEMS

Cash and cash equivalents



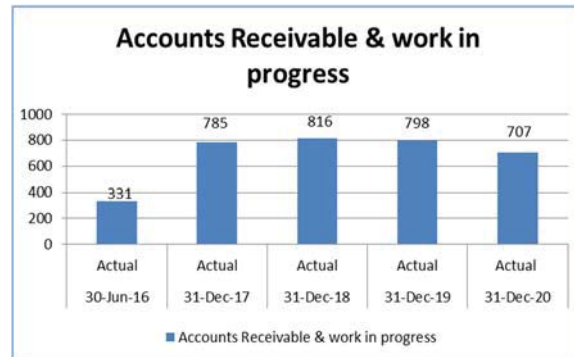
Expressed in Cayman Islands Dollars (Thousands)

We ended the year with cash and cash equivalents of \$587k. This balance is less than the previous two years as a result of the Office repaying the surplus payable of \$481k during 2020.

The Office aims to maintain a cash position of two to three times our monthly expenses. We have maintained a healthy cash position over the last five years.

For further analysis of the changes in cash and cash equivalents for the year ending 31 December 2020, see the Cash Flow Statement and Note 14 to the financial statements on the reconciliation of net surplus to cash flows generated from operating activities.

Accounts receivable and work in progress



Expressed in Cayman Islands Dollars (Thousands)

The Office had accounts receivable and work-in-progress of \$707k at the end of 2020.

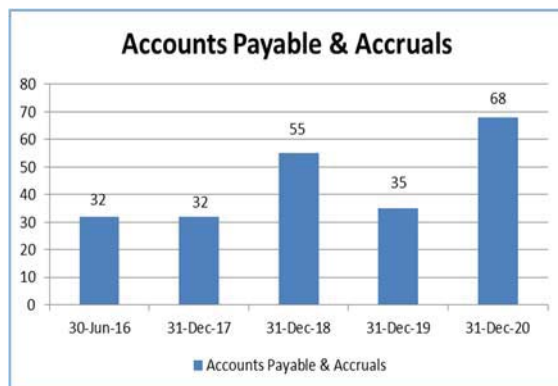
This is similar to prior years. It is higher than budgeted because the budget was prepared based on the methodology of progress billing, which would have allowed for an interval billing occurring before 31 December and subsequent collection within respective year. However, actual billings were done on a quarterly basis; as a result the 4th quarter billings for 2020 were processed in January 2021 resulting in them being included in accounts receivable as at 31 December 2020.

Over the past five years we have changed our billing methodology twice. In late 2016–17 we changed the methodology so that many clients paid their audit fees for the financial statement audits in increments (50% upfront; 40% progress billing; and final 10% upon issuance of the audit opinion). In 2019 the Office revised the methodology for all clients and billings. Since then, all billings have been done on a

quarterly basis for actual cost incurred on the respective audit engagement.

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

Accounts payable and accruals

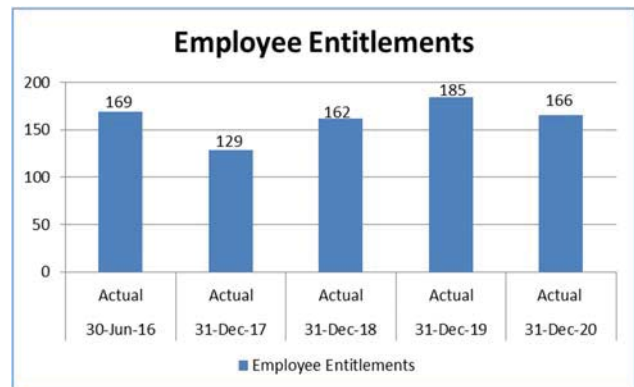


Expressed in Cayman Islands Dollars (Thousands)

Accounts payable and accruals are expected to range between \$20k and \$40k in any given year.

At the end of 2020, accounts payable and accruals were \$68k. This was higher than the prior year due to an accrual being made for the IT audit services that were provided by PwC in 2020 and invoiced in January 2021.

Employee Entitlements



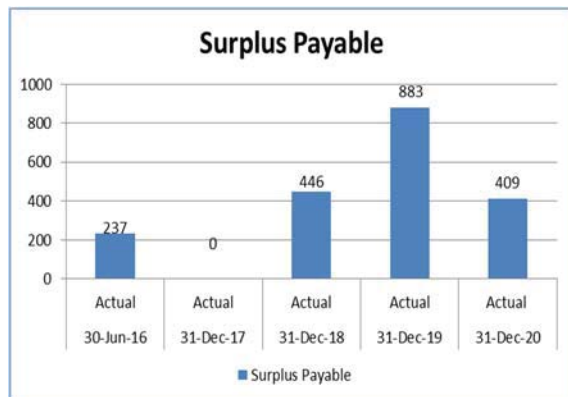
Expressed in Cayman Islands Dollars (Thousands)

Employee entitlements due at the year-end are made up of unused annual leave and time-off-in-lieu accrued during the year.

The total due for employee entitlements at the end of 2020 was \$166k. Of this, unused annual leave amounted to \$121k, a decrease of \$22k from the prior period. The amount due for time-off-in-lieu increased from the prior year to \$45k (2019; \$42k).

The balance for employee entitlements was less than previous years and the budget. This is as a direct result of the Office actively managing annual leave and encouraging all staff to using their annual leave entitlement during 2020 in line with government policy.

Surplus payable



Expressed in Cayman Islands Dollars (Thousands)

The surplus payable is directly related to the surplus amounts achieved in each fiscal year less any repayments made to

Government or any offsets for deficits incurred.

The Office incurred a deficit of \$95k during the year. The Office had a surplus payable of \$883k due at 31 December 2019. The Office repaid a surplus from prior years of \$481k during 2020, resulting in \$409k due to be repaid at the end of the year. The deficit for 2020 will be offset against this.

FINANCIAL PERFORMANCE RATIOS

Ratio	2020 Actual	2020 Original/Final Budget	Variance
Current Assets: Current Liabilities (Working Capital)	1.67	1.42	0.25
Total Assets: Total Liabilities	1.75	1.44	0.31

These ratios indicate that we were able to meet our current obligations as at 31 December 2020. They were higher than budgeted as actual current obligations were less than budgeted due to the change in billing methodology which resulted in less unearned revenues being recorded, as well as in a reduction in surplus payable as the Office made a repayment to the Treasury and recorded a deficit in 2020 as compared to a budgeted surplus.

SENIOR MANAGEMENT REMUNERATION

The remuneration and benefits of the OAG senior management during 2020 and 2019 are disclosed below in bands of CI\$5,000.

Post	Remuneration 2020 \$000	Remuneration 2019 \$000	Benefits 2020 \$000	Benefits 2019 \$000
Auditor General	175-180	170-175	45-50	45-50
Deputy Auditor General (Financial Audit)	135-140	110-115	20-25	20-25
Deputy Auditor General (Performance Audit)	115-120	130-135	25-30	25-30
Deputy Auditor General (resigned 31 July 2019)	-	75-80	-	20-25

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

During 2020, the OAG had three senior managers (2019: four). Effective January 2020, all personnel received a 5 per cent cost of living allowance, which increased the salaries and pensions of staff.

It is worth noting that during 2019, three senior managers' contracts were renewed and any annual leave balances were paid out at that time. In the same year, the former Deputy Auditor General resigned effectively 31 July 2019, any remaining leave balances were paid out at that time, and the Office restructured its senior management. The previous post of Deputy Auditor General was removed and the role was split between the two previous director posts, which were re-designated as Deputy Auditor General, and the Corporate Services Manager, after job evaluation.

PROFESSIONAL SERVICES AND CONSULTANTS

Vendor	Service	Fees & related costs (\$)
Secondees – Financial Auditor	Financial Audit	23,072
PricewaterhouseCoopers	IT Audit	59,243
Patricia Forsberg	Report Editing	1,901
Prepress Projects Ltd	Report Editing	829
Etienne Blake, Attorneys-At-Law	Legal fees	5,730
Campbells	Legal fees	6,325
Opus Lamna Consulting Limited	Technical support	106
Baker Tilly (Cayman) Ltd.	OAG Financial Statement Auditor	15,965
Netclues	Website Hosting and Maintenance	2,726
Reliable	Janitorial Services	12,720
Security Centre	Security Services	1,376

During the year we seconded two staff members from the UK National Audit Office to help us carry out some of our financial audit work. The cost of these secondees includes payments made directly for the services provided and their associated costs (i.e. work permit fees, airfare, hotel, car rental, etc.). Unfortunately, the secondments ended early due to the COVID-19 pandemic but this is something that we will consider for peak periods for financial statements audits in future years.

During 2020, we commissioned PricewaterhouseCoopers to work with us to supplement and develop our IT audit work. The contract spans two financial years. As at the end of December we had spent just over \$59k on this project.

During 2020, we carried out a joint procurement exercise, with the Office of the Ombudsman, for an editing service for our performance audits. We appointed the new contractor (Prepress Projects Ltd) in May 2020.

We received legal services from both Campbells and Etienne Blake during the year for \$12,055. 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 Office is recognised as one of the leaders in public sector auditing within the Caribbean region. Over recent years this has led to an increasing demand for the Office to support capacity building initiatives across the region and contribute more widely to the development of public sector auditing in international public auditing forums (highlighted in a previous section, Regional and International work). Three staff members participated in this travel.

The travel we have taken over the past two fiscal periods, much of which is supported by non-Government funding, is outlined in the Table below. It is worth noting that travel and related expenses was significantly less in 2020 as a direct result of the COVID-19 pandemic.

Year-to-year comparison of travel	
Travel and Subsistence 2019 – \$33K	Travel and Subsistence 2020 – \$1K
Cayman Brac – financial statements (inventory counts).	N/A – 2020 inventory counts were carried out in early January 2021.
Canada - Canadian Council of Legislative Auditor's (CCOLA) conferences and meetings in: Montreal (financial statements symposium) and Toronto (performance audit symposium).	N/A
United States , Miami – UK Overseas Territories Forum.	N/A
Jamaica , Kingston – IntoSAINT training and workshop.	N/A
Montserrat - support to OAG Montserrat (UK DFID partially sponsored).	Montserrat - continuous support to OAG Montserrat (UK DFID partially sponsored)
Guyana , Georgetown – CAROSAI Congress XI.	N/A
Turks and Caicos Islands - Hazard management training (CIG funded).	N/A
United Kingdom , London – UK Overseas Territories Forum (FCO funded)	United Kingdom , Newcastle – secondment to UK National Audit Office as part of the UK Overseas Territories “Better Governance of Public Finances” programme (FCO funded).
Poland , Warsaw – INTOSAI Professional Standards Committee.	Georgia , Tbilisi – INTOSAI Strategic Planning, Management and Reporting Tool (SPMR) (IDI funded).
Norway , Oslo – INTOSAI IDI SPMR programme (IDI funded).	N/A
Serbia , Belgrade – INTOSAI IDI SPMR programme (IDI funded).	N/A
Malta – INTOSAI IDI Innovation and Data Analytics workshop.	N/A
India , Hyderabad – INTOSAI IDI auditor professionalization working group (IDI funded).	N/A

PHYSICAL CAPITAL MEASURES

Measure	2020 Actual \$000	2020 Original/Final Budget	Variance \$000
		\$000	
Value of total assets	1,379	2,261	(882)
Asset replacements: total assets	1%	1.0%	-
Book value of assets: initial cost of those assets	34%	42%	(8%)
Depreciation: cash flow on asset purchases	113%	125%	(12%)
Changes to asset management policies	None	None	None

The Office's total assets were less than budget by \$882k, which is mainly attributable to cash and cash equivalent being \$1,442k less than budget. This is due to revenues being less than budgeted during the year and the repayment of surplus. Accounts receivable and work in progress were over budget by \$508k due primarily to the change in billing methodology to quarterly billings which resulted in an increased amount of revenues being recognized for the fourth quarter, and these amounts remained uncollected as at 31 December 2020.

HUMAN CAPITAL MEASURES

Measure	2020 Actual	2020 Original/Final Budget	Variance
Total full time equivalent staff employed at 31 December	21	21	-
Staff turnover (%)	-	-	-
Senior managers	-		
Professional and technical staff	-		
Administrative and non-professional staff	-		
Average length of service (number of years in current position)	10		
Senior managers	5		
Professional and technical staff	5		
Administrative and non-professional staff	6		

Changes to personnel management system: None

Over the past five years the OAG has restructured its staffing. In 2015–16, the Office created two Audit Manager posts, and in 2017 added two professional audit trainee posts; it did this through decreasing and realigning the professional fees budget. The two manager posts were filled in 2016 and the two professional audit trainee positions were filled during 2018 (they remained in post at 31 December 2020).

During 2019, the Office further restructured at the senior management level when the Deputy Auditor General resigned. That post was removed from the staffing establishment and the responsibilities were shared among the then two Directors and the Finance and Administration Manager. As a result of the increased responsibilities, these three posts were evaluated and regraded as two Deputy Auditors General and a Corporate Services Manager from July 2019. The Office will continue restructuring in 2021; we plan to create a new Audit Manager post to focus on Quality Assurance and IT. This post is budgeted for in our staffing establishment.

During 2020, no staff left the Office and we recruited two new Audit Project Leaders (APL) in August and September 2020; as a result our headcount increased to 21 FTE (2019: 19 FTE). One of the APL posts was to fill the vacancy left by the APL that resigned in 2019 and the other was to cover the secondment to RCIPS and the anticipation of an internal promotion to the third Audit Manager role in due course (2019: two staff resigned, one senior manager and one professional and technical). There were no changes in the administrative and non-professional staff category.

As at 31 December 2020 we had one employee on secondment to the Cayman Islands Bureau of Financial Investigations (CIBFI) (2019: no employees were on secondment).

SICK LEAVE ANALYSIS

	2015-16 (12 months)	2016-17 (18 months)	2018 (12 months)	2019 (12 months)	2020 (12 months)
# of days	117	215	136	139	75
# of FTE*	17.11	18.65	20.29	19.58	19.75
Average sick days/FTE	6.84	11.53	6.70	7.09	3.78
Sickness absence rate **	3.06%	3.44%	2.98%	3.18%	1.67%

* Full-Time-Equivalents – includes staff who have resigned during the year and new starts

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

Under the *Personnel Regulations*, employees are allowed up to 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 seven to eight days.

For the year ending 31 December 2020, staff took 75 days off sick resulting in a sickness absence rate of 1.67 per cent. This is lower than prior years; in each of the prior years some staff were granted extended sick leave. Most employees recorded some sick leave during 2020, two employees had no sick leave, four employees recorded only one sick day for the year, and no staff had extended sick leave. In 2019 most

employees recorded some sick leave; one employee had no sick leave, three employees recorded only one sick day, and two employees were granted extended sick leave ranging from 14 to 16 days.

PROFILE OF OAG STAFF

As at 31 December 2020, the OAG had 21 staff with a diverse staffing profile.

At the end of 2020 our staff represented ten nationalities and the percentage of overall Caymanian staff was 29 per cent (2019: 32 per cent).

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

As at 31 December 2020 we had nine male and twelve female members of staff.

Gender	Senior Management	Auditors	Administrative
Female	2	8	2
Male	1	8	-

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 senior management team ensures that the Office's risk register is kept under review and that there are appropriate management practices in place to mitigate the risks identified.

The Office has identified 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. The senior management of the Office reviews the risk register and amends this as necessary on a quarterly basis. 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 2020, 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](#).

Financial Accounts



Financial Statements

31 December 2020

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

As Auditor General and Deputy Auditor General, 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 2020.

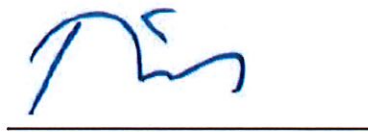
To the best of our knowledge we represent that these financial statements:

- a) completely and reliably reflect the financial transactions of the Office of the Auditor General for the year ended 31 December 2020;
- b) fairly reflect the financial position as at 31 December 2020 and the performance for the year ended 31 December 2020;
- 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
Auditor General



Patrick Smith, CPA
Deputy Auditor General

DATE: 24 March 2021

DATE: 24 March 2021

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

Opinion

We have audited the financial statements of the Office of the Auditor General (the "Office") which comprise the statement of financial position as at 31 December 2020, 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 2020 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Baker Tilly (Cayman) Ltd.

**Baker Tilly (Cayman) Ltd.
24 March 2021
Grand Cayman, Cayman Islands**

Office of the Auditor General Cayman Islands

Statement of Financial Position

For the year ending 31 December

(In Cayman Islands Dollars)

2019 Actual \$000		Note	2020 Actual \$000	2020 Original/Final Budget \$000	2020 Variance from Original Budget \$000
	Current assets				
1,228	Cash and cash equivalents	1	587	2,029	(1,442)
798	Accounts receivable & work in progress	2	707	199	508
6	Prepayments		18	-	18
2,032	Total current assets		1,312	2,228	(916)
	Non-current assets				
64	Property, plant and equipment	3	67	33	34
64	Total non-current assets		67	33	34
2,096	Total assets		1,379	2,261	(882)
	Current liabilities				
35	Accounts payable and accruals	4	68	22	46
185	Employee entitlements	5	166	208	(42)
883	Surplus payable	6	402	688	(286)
305	Unearned revenue	7	143	655	(512)
1,408	Total current liabilities		779	1,573	(794)
1,408	Total liabilities		779	1,573	(794)
688	Net assets		600	688	(88)
	Net assets/equity				
688	Contributed capital*	8	688	688	-
-	Accumulated (deficits)*		(88)	-	(88)
688	Total net assets/equity		600	688	(88)

*See Statement of Changes in Net Assets/Equity on page 50

The accounting policies and notes on pages 52 to 71 form part of these financial statements.

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

2019 Actual			2020 Actual	2020 Original/Final Budget	2020 Variance from Original Budget
\$000		Note	\$000	\$000	\$000
Revenue					
709	Audit services provided to Public Accounts Committee	9	568	930	(362)
2,202	Audit services provided to other government agencies	9	1,915	2,128	(213)
2,911	Total revenue		2,483	3,058	(575)
Expenses					
2,136	Personnel costs	10	2,231	2,447	(216)
323	Operating expenses	11	322	529	(207)
16	Depreciation	3	18	17	1
2,475	Total expenses		2,571	2,993	(422)
436	Net (deficit)/surplus for the year		(88)	65	(153)

The accounting policies and notes on pages 52 to 71 form part of these financial statements.

Office of the Auditor General Cayman Islands

Statement of Changes in Net Assets/Equity

Year Ended 31 December

(In Cayman Islands Dollars)

2019 Actual			2020 Contributed Capital (Note 8)	2020 Accumulated Surpluses / (Deficits)	2020 Total Net Assets / Equity	2020 Total Net Assets/Equity Original/Final Budget	2020 Total Net Assets/Equity Variance From Original Budget
\$000	Note		\$000	\$000	\$000	\$000	\$000
688		Opening Balance	688	-	688	688	-
436		Net (deficit) / surplus for the year	-	(88)	(88)	65	(153)
(436)	6, 8	Repayment of net surplus	-	-	-	(65)	65
688		Closing balance	688	(88)	600	688	(88)

The accounting policies and notes on pages 52 to 71 form part of these financial statements.

Office of the Auditor General Cayman Islands
Cash Flow Statement
Year Ended 31 December
(In Cayman Islands Dollars)

2019 Actual			2020 Actual	2020 Original/Final Budget	2020 Variance from Original Budget
\$000		Note	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts:					
724	Audit services provided to Public Accounts Committee		549	930	(381)
2,043	Audit service provided to other government agencies		1,863	2,128	(265)
Payments:					
(2,129)	Personnel costs		(2,250)	(2,447)	197
(326)	Operating expenses		(301)	(504)	203
312	Net cash flows generated from operating activities	14	(139)	107	(246)
CASH FLOWS FROM INVESTING ACTIVITIES					
(15)	Purchase of non-current assets		(21)	-	(21)
(15)	Net cash flows (used in) investing activities		(21)	-	(21)
CASH FLOWS FROM FINANCING ACTIVITIES					
-	Repayment of surplus	6	(481)	-	(481)
-	Net cash flows (used in) financing activities		(481)	-	(481)
297	Net (decrease)/increase in cash and cash equivalents		(641)	107	(748)
931	Cash and cash equivalents at beginning of year		1,228	1,922	(694)
1,228	Cash and cash equivalents at end of year	1	587	2,029	(1,442)

The accounting policies and notes on pages 52 to 71 form part of these financial statements.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the year ending 31 December 2020

(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 2020, the Office employed 21 staff (31 December 2019: 19).

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 (“IPSASB”) using the accrual basis of accounting.

New and revised accounting standards issued that are not yet effective for the financial year beginning 1 January 2020 have not been early adopted by OAG.

Certain new accounting standards have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the OAG. The Office assessment of the impact of these new standards are set out below.

IPSAS 41, Financial Instruments was issued in August 2018 and was intended be applied for financial statements covering periods beginning on or after 1 January 2022. However due to the significant impact of 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 closer to the effective date of adoption.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the year ending 31 December 2020

(In Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF PREPARATION (CONTINUED)

IPSAS 42, Social Benefits was issued in December 2018 and shall be applied for financial statements covering periods beginning on or after 1 January 2022. However due to the significant impact of 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 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 2020.

BUDGET AMOUNTS

The 2020 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 2020 and 2021 original budgets were presented in the 2020 and 2021 Budget Statements of the Government of the Cayman Islands and approved by the Legislative Assembly on 5 December 2019.

JUDGEMENT AND ESTIMATES

The preparation of financial statements in conformity with IPSAS requires judgments, estimates, and assumptions affecting the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

For the year ending 31 December 2020

(In Cayman Islands Dollars)

GENERAL ACCOUNTING POLICIES (CONTINUED)

JUDGEMENT AND ESTIMATES (CONTINUED)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period that is affected by those revisions. As at 31 December 2020 and 31 December 2019, 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.

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.

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Notes to the Financial Statements
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SPECIFIC ACCOUNTING POLICIES (CONTINUED)

ASSETS (CONTINUED)

Property, Plant and Equipment

Property, plant 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 11.11% (9 years)
- Computer Equipment 33.33% (3 years)
- Office Equipment 10% (10 years) to 33.33% (3 years)
- Leasehold Improvements Over the term of the lease

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

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

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SPECIFIC ACCOUNTING POLICIES (CONTINUED)

LIABILITIES CONTINUED

of financial performance. In 2020 and 2019 all eligible employees of the Office belonged to the defined contribution plan. There were no employees in 2020 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. The Office previously utilised stage billings for the financial audit engagements for some clients, which included 50% billing upon commencement of work and the remaining 50% at interim and completion stages of the audit. Billed amounts are recorded as unearned revenue until earned. These audits are still under way in the 2020 financial year, thus giving rise to the balance at year end. It is estimated that these audits will be completed in the 2021 financial year.

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
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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 Legislative Assembly or any of its committees or subcommittees; and advice and assistance provided to the Legislative Assembly or to any of its committees or subcommittees. Audit services revenue is recognised in the accounting period in which it is earned.

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.

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NOTE 1: CASH AND CASH EQUIVALENTS

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

2019 Actual \$000		2020 Actual \$000	2020 Original/Final Budget \$000	2020 Actual vs. Original Budget \$000
1,228	Bank accounts	587	2,029	1,442
1,228	Total cash and cash equivalents	587	2,029	1,442

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

Cash and cash equivalents are under budget by \$1,442k, which is a result of the increased accounts receivables at year end compared to budgeted expectations, as well as reduced billings to the PAC and government entities as the level of related work was reduced due to the COVID-19 pandemic. Other factors are noted in the Cash Flow Statement and note 14 reconciliation of net surplus to cash flows generated from operating activities.

The decrease in cash and cash equivalents of \$641k from the prior year is also a result in timing of account receivables collections and reduced billings due to the COVID-19 pandemic.

Office of the Auditor General Cayman Islands
Notes to the Financial Statements
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NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS

2019 Actual		2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
60	Audit services to PAC (accounts receivable)	131		
52	Audit services to PAC (work in progress)	-		
212	Audit services to other government entities (accounts receivable)	576		
474	Audit services to other government entities (work in progress)	-		
798	Total gross accounts receivable & work in progress	707	199	508
-	Less: provision for doubtful debts	-	-	-
798	Total net accounts receivable & work in progress	707	199	508

Aging Analysis of Accounts Receivable & Work in Progress

2019 Actual	Accounts receivable & work in progress	2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
525	Current	671	-	671
-	Past Due 1-30 days	8	190	(182)
60	Past Due 31-60 days	-	-	-
210	Past Due 61-90 days	28	-	28
3	Past Due 91-180 days	-	5	(5)
-	Past Due 181-360 days	-	-	-
-	361 + Days		4	(4)
798	Total	707	199	508

Office of the Auditor General Cayman Islands
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NOTE 2: ACCOUNTS RECEIVABLE & WORK IN PROGRESS (CONTINUED)

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

Accounts receivable & work in progress for audit services provided to PAC:

The increase in accounts receivable when compared to budget is due to the billings for November and December being combined and invoiced together and outstanding as at 31 December 2020, whereas the budget and prior year balances were based on one month's billing.

Accounts receivable & work in progress for audit services provided to other government entities:

The increase in accounts receivable when compared to budget is due to actual billings being done on a quarterly basis as opposed to on a stage billing process as was expected when this budget was prepared.

Current actual to prior period actual: accounts receivable and work in progress were decreased when compared to prior year due to an overall reduction in billing work being done due to the COVID-19 pandemic.

Office of the Auditor General Cayman Islands
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NOTE 3: PROPERTY, PLANT AND EQUIPMENT

	Furniture & Fittings \$000	Office Equipment \$000	Computer Equipment \$000	Leasehold Improvements \$000	Total \$000	Original/Final Budget \$000	Actual vs. Original Budget \$000
<u>Cost</u>							
At 1 January 2019	75	41	36	14	166	167	(1)
Additions	1	-	9	-	10	10	-
Disposals	-	-	-	-	-	(6)	6
At 31 December 2019	76	41	45	14	176	171	5
<u>Accumulated Depreciation</u>							
At 1 January 2019	24	26	33	13	96	84	12
Accumulated depreciation on disposals	-	-	-	-	-	(6)	6
Depreciation charge for the year / period	8	2	5	1	16	21	(5)
At 31 December 2019	32	28	38	14	112	99	13
Net book value at 31 December 2019	44	13	7	-	64	72	(8)
<u>Cost</u>							
At 1 January 2020	76	41	45	14	176	171	5
Additions	14	7	-	-	21	5	16
Disposals	-	-	-	-	-	(11)	11
At 31 December 2020	90	48	45	14	197	165	32
<u>Accumulated Depreciation</u>							
At 1 January 2020	32	28	38	14	112	99	13
Accumulated depreciation on disposals	-	-	-	-	-	-	-
Depreciation charge for the year / period	8	6	4	-	18	17	1
At 31 December 2020	40	34	42	14	130	116	14
Net book value at 31 December 2020	50	14	3	-	67	49	18

Office of the Auditor General Cayman Islands
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NOTE 3: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Explanation of major variances against the original budget:

In 2020 the Office purchased new chairs for some staff members, an office work station and a smart board. The additions were over budget by \$16k due to cost of some of the chairs, which were purchased to facilitate staff working remotely from at home, as well as the smart board which was purchased as the office has significantly increased its use of virtual meetings. It was part of the OAG strategic goals to gradually increase the level of remote working, but this was accelerated by COVID-19 and as a result these items were not included in the 2020 budget.

NOTE 4: ACCOUNTS PAYABLE & ACCRUALS

2019 Actual \$000		2020 Actual \$000	2022 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
3	Trade creditors	9	-	9
32	Accruals	59	22	37
35	Total	68	22	46

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

Accruals: The Office's accruals were over budget and over the prior year accruals due mainly to an accrual that was made for IT audit services from PwC. The decision to contract these services occurred in 2020 and a result was not reflected in the budgeted amount.

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NOTE 5: EMPLOYEE ENTITLEMENTS (CURRENT)

2019 Actual	Current employee entitlements are represented by:	2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
143	Annual leave	121	162	(41)
42	Time off in lieu	45	46	(1)
185	Total employee entitlements	166	208	(42)

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

Actual annual leave was \$41k and \$22k lower than budgeted and prior year annual leave respectively. This decrease was due primarily to more leave balances being paid out for eligible staff during the year, and overall more leave being taken during the year than anticipated as the OAG actively managed leave in line with Government policy which was implemented due to the COVID-19 pandemic.

NOTE 6: SURPLUS PAYABLE

2019 Actual		2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
883	Surplus payable	402	688	(286)
883	Total	402	688	(286)

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

Actual to budget and prior year: The decrease in surplus payable is due to the Office repaying \$481k of the surplus repayable to Treasury during 2020. The 2020 budget was prepared with an expected surplus of \$65k, however due to the COVID-19 pandemic the Office generated less than budgeted revenues and reported a deficit; as a result there was no increase in surplus payable for 2020. The remaining balance of surplus payable will be paid over to the Treasury during the 2021 financial year.

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NOTE 7: UNEARNED REVENUE

2019 Actual \$000		2020 Actual \$000	2019 Original/Final Budget \$000	2019 Actual vs. Original Budget \$000
305	Unearned revenue	143	655	(512)
305	Total	143	655	(512)

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

As at 31 December 2020 actual unearned revenue was \$162k less than the prior year. This decrease was the net effect of additional deferrals for engagements which were billed using our billing methodology that was implemented in late 2016/17 for several clients to pay audit fees in increments (50% upfront; 40% progress billing and final 10% upon issuance), and revenue previously deferred being earned and recognized as revenue in 2020. The Office has discontinued progress billings for engagements subsequent to the 2018 financial year and it is anticipated that the remaining balance will be fully recognised as revenue in 2021.

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.

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

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NOTE 8: CONTRIBUTED CAPITAL (CONTINUED)

2019 Actual \$000		2020 Actual \$000	2020 Original/Final Budget \$000	2020 Actual vs. Original Budget \$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.

NOTE 9: REVENUE

2019 Actual \$000		2020 Actual \$000	2020 Original/Final Budget \$000	2020 Actual vs. Original Budget \$000
	Revenue			
709	Audit services provided to Public Accounts Committee	568	930	(362)
2,202	Audit services provided to other government agencies	1,915	2,128	(213)
2,911	Total revenue	2,483	3,058	(575)

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NOTE 9: REVENUE (CONTINUED)

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

The revenue generated from services to the PAC in 2020 was \$568k. This is significantly less than budgeted and lower than the previous three years. This reduction in revenue is as a direct result of the COVID-19 pandemic. During 2020, the performance audit (PA) programme was rescheduled as new audits could not be started as planned and PA staff were diverted to work on financial audits during the peak 2019 financial statements' audit period due to the Deputy Auditor General (Financial Audit) being seconded to the National Emergency Operations Centre ("NEOC").

During 2020 the Office generated \$1,915k in revenue from audit services, which is less than in 2019 and the budget. The financial audit practice generated less revenue than in the prior year and budget due to various factors. As a result of the COVID-19 pandemic the Deputy Auditor General (Financial Audit) was seconded to NEOC which reduced his billable time; and due to the 'lockdown' staff recorded a higher level of administrative time as it was not possible to directly engage with clients. Additionally, during 2020 the Office had one audit staff member who was seconded to a Cayman Islands Bureau of Financial Investigation, and a staff member seconded to the UK National Audit Office. These secondments reduced the financial audits revenues generated for 2020.

NOTE 10: PERSONNEL COSTS

2019 Actual		2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
1,832	Salaries, overtime & allowances (including employee pension contributions)	1,941	2,065	(124)
191	Health insurance	192	233	(41)
98	Employer pension expense	98	109	(11)
15	Other personnel costs	-	40	(40)
2,136	Total personnel costs	2,231	2,447	(216)

Office of the Auditor General Cayman Islands
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NOTE 10: PERSONNEL COSTS (CONTINUED)

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

In 2020 personnel costs were \$2,231k, which was slightly higher than in 2019. This reflects the fact that two new staff joined us in the second half of the year (August and September) and a cost of living award for 2020. The timing of the new staff joining also resulted in the actual personnel cost being lower than budgeted as the budget included costs for 12 months.

Overtime payments were over the original budget by \$56k due to paying more overtime in our busy season and a concerted effort to conduct more interim financial statement audit work in October and November 2020.

Other personnel costs relate to recruitment, freight, and leave passages. The Office was under budget by \$40k as a result of staff turnover being lower than anticipated and not requiring costs to relocate personnel back to their home countries or bringing new employees into the Cayman Islands.

NOTE 11: OPERATING EXPENSES

2019 Actual		2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
96	Operating leases	112	174	(62)
78	Professional fees	93	140	(47)
33	Travel & subsistence	1	42	(41)
32	Other goods and services	33	11	22
17	Software licensing fees	15	32	(17)
16	Audit fees	16	18	(2)
17	Training	10	28	(18)
11	Janitorial services	13	13	-
16	Utilities	12	14	(2)
7	Computer and communication supplies	5	6	(1)
-	Legal fees	12	25	(13)
323	Total operating expenses	322	503	(181)

Office of the Auditor General Cayman Islands

Notes to the Financial Statements

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NOTE 11: OPERATING EXPENSES (CONTINUED)

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

Operating Lease: Lease expenses were under budget by \$62k as the 2020 budget was prepared prior to our new lease being finalized, and the negotiated amount was less than what was budgeted.

Travel & subsistence: Travel expenses were under budget due to the COVID-19 pandemic and the related 'lock down' resulting in official travel for staff being significantly less than projected.

Professional Fees: Professional fees were under budget by \$47k as due to the COVID-19 pandemic some of the performance audits were rescheduled which reduced the need for consultants.

Training: The Office was under budget by \$18k due primarily to less cost being incurred from our attendance at the CIIPA Summit, which was held virtually and at a lower cost compared to prior years.

Software Licensing Fees: Software licensing fees were \$17k under budget due to not purchasing new software packages that was anticipated.

Legal Fees: Legal fees were \$13k under budget as there was less need for legal advice.

NOTE 12: COMMITMENTS – PROPERTY LEASE

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

Type	One year or less \$000	One to five years \$000	Over five years \$000	2020 Total \$000	2019 Total \$000
Non-cancellable accommodation lease	112	426	-	538	536

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NOTE 13: CONTINGENT LIABILITIES

At 31 December 2020, there are no quantifiable and non-quantifiable contingent liabilities (31 December 2019: no contingent liabilities).

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

2019 Actual		2020 Actual	2020 Original/Final Budget	2020 Actual vs. Original Budget
\$000		\$000	\$000	\$000
436	Net (deficit)/ surplus	(88)	65	(153)
	Non-cash movements			
16	Depreciation	18	17	1
3	Increase/(decrease) in payables/accruals	14	-	14
(162)	Increase/(decrease) in other current liabilities	(162)	-	(162)
18	Decrease/(increase) in receivables	91	24	67
1	Decrease/(increase) in prepayments	(12)	-	(12)
312	Net cash flows from operating activities	(139)	106	(245)

NOTE 15: RELATED PARTY TRANSACTIONS

The Office is controlled by the Cayman Islands Government and therefore government ministries, portfolios, statutory authorities, government companies and other government offices are considered related parties. As indicated in the approved 2019 and 2020 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 2020 and 2019 fiscal years as described in Note 8.

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NOTE 15: RELATED PARTY TRANSACTIONS (CONTINUED)

KEY MANAGEMENT PERSONNEL

As at 31 December 2020 there were three senior managers in the Office (31 December 2019: 3, although 4 during the year). 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 2020 was \$529k (31 December 2019: \$617k). There were no loans made to key management personnel or their close family members in 2020 (2019: 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 (2018 Revision)*.

CREDIT RISK

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

The Office is exposed to potential losses that would be incurred if the counterparty to the bank balances 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.

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 2020 and 31 December 2019, 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.

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NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK (CONTINUED)

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 2020 and 31 December 2019, all of the financial liabilities were due within three months of the year-end dates.

NOTE 17: FINANCIAL INSTRUMENTS – FAIR VALUES

As at 31 December 2020 and 31 December 2019, the carrying value of cash and cash equivalents, accounts receivable, work in progress, 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 2020 for the financial statements audits ending 31 December 2019.

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 Human Resources and Immigration	OAG
Ministry of International Trade, Investments, Aviation and Maritime Affairs	OAG
Office of the Director of Public Prosecutions	KPMG
Office of the Ombudsman	KPMG
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 2019 financial statements audit.*

APPENDIX 2 - REPORTS ISSUED AND IN PROGRESS DURING 2020

Reports issued during 2020

Reports Issued	Date of Issue	Summary
General Report on the results of the 2018 financial audits	February 2020	This compendium report summarised the results of the audits of the 42 public sector entities in the Cayman Islands Government for 2018.
Efficiency and Effectiveness of OfReg	June 2020	The report evaluated the effectiveness of OfReg in its first three years of operation.
Public Interest Report - Overview of the Government's costs in relation to COVID-19	July 2020	This public interest report provided a factual summary of the Government's response to COVID-19 and a position statement of the costs incurred to 19 June 2020 and the estimated costs of commitments made at the same date.
Improving Financial Accountability and Transparency: Budgeting	December 2020	The report assessed the effectiveness and transparency of the Government's budgeting framework and process.
General Report on the results of the 2019 financial audits	December 2020	This compendium report summarised the results of the audits of the 41 public sector entities in the Cayman Islands Government for 2019.

Reports in Progress as at 31 December 2020

Reports in Progress	Summary	Progress
Improving Financial Accountability and Transparency: Financial Management and Reporting	This audit will assess how effective the Cayman Islands Government is at financial management and reporting to enhance transparency, accountability and long-term financial sustainability. The audit will focus on progress during the five-year period from 2014 through 2018.	Reporting Stage. Report was expected to be issued in March 2021.
Follow-Up on past PAC Recommendations	This report will provide an update on progress with the implementation of PAC and OAG recommendations in a range of performance audit reports.	Reporting Stage. Report was expected to be issued in March 2021.
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.	Reporting Stage. Report was expected to be issued in summer 2021.
Cayman Islands Government's Online Services	This audit will assess the effectiveness and efficiency of the delivery of online services in the Cayman Islands Government.	Planning Stage. The audit will be completed in first half of 2021. The report is expected to be issued in summer 2021.
Health Services Authority's Out-Patient Pharmacy Services	This audit will evaluate the efficiency and effectiveness of the HSA's out-patient pharmacy services.	Planning Stage. The audit will be completed in first half of 2021. The report was expected to be issued in late summer 2021.

Note: the subsequent call for an early election and dissolution of Parliament resulted in indicative issue dates being changed.

APPENDIX 3 – OUTPUTS DELIVERED 2020

The outputs delivered in 2020 to the PAC as per the Budget Statement for the OAG.

AUD 2	Financial and Performance Audit Reports		
Description Audit reports and advice to the Legislative Assembly relating to: - 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	2020 Actual	2020 Original Budget	2019 Actual
Quantity - Number of reports issued to the Legislative Assembly - Number of audits in progress / partial reports at year end	5 5	3-5 2-4	6 3
Quality - 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% 100%	100% 100% 90-100% 75-100%	100% 100% 100% 88%
Timeliness - Auditor General reports become public documents within two weeks of submission to the Speaker of the Legislative Assembly. - All reports are publicly available through the website within two days after becoming a public document.	100% 100%	80-100% 100%	67% 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)	\$568,134	\$930,000	\$709,375
Price (paid by PAC for the output)	\$568,134	\$930,000	\$709,375
Related Broad Outcome: Stable, Effective and Accountable Government			