24 April 2013

The Auditor General
Office of the Auditor General
3rd Floor, Anderson Square
George Town
Grand Cayman

Dear Sir,

We were engaged to audit the financial statements of the Office of the Auditor General (the "Audit Office") for each of the years ended June 30, 2010, June 30, 2011 and June 30, 2012 (the "engagements"). You have advised us that the Audit Office has received a freedom of information request (the "Request") pursuant to the Freedom of Information Law 2007 and that, in connection with that request, the Audit Office plans to provide the requestor with copies of certain reports. Those reports were prepared in accordance with International Standards on Auditing 260 – Communication with those Charged with Governance ("ISA 260") and International Standards on Auditing 265 - Communicating Deficiencies in Internal Control to those Charged with Governance and Management ("ISA 265"), (hereinafter referred to as the "Reports")and were issued in connection with the engagements.

The primary purpose of an audit

The engagement letters, to which the engagements were subject, stated that the services (and hence primary purpose) we were engaged to perform was the audit of the financial statements of the Audit Office in accordance with International Standards on Auditing ("ISA"). The objective of an audit under ISA is the expression of an opinion on whether the financial statements present fairly, in all material respect, the financial position and results of operations of the Audit Office for the period specified. ISA require that we plan and perform the audit to obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatement.

The engagement letters further stated that we would consider the Audit Office's internal control over financial reporting **solely** for the purpose of determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the financial statements (emphasis added). The engagement letters also stated that this consideration would not be sufficient to enable us to provide assurance on the effectiveness of internal control over financial reporting and that our audits were not designed to identify all deficiencies in the Audit Office's system of internal financial controls.

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Purpose of Reports to those Charged with Governance/Restrictions on Use

In accordance with International Standards on Auditing, the purpose of the Reports is to provide those charged with governance of the Audit Office with timely observations arising from the audit of the Audit Office's financial statements regarding, among other matters, appropriate communication about certain types of deficiencies in internal control that the we have identified during the audit and that, in our professional judgment, are of sufficient importance to merit their respective attentions.

These Reports were written for a specific purpose as set out under the applicable auditing standards. The subject matter of the Reports is solely based on matters identified by us during the course of the financial statement audits. As noted above, the identification of such matters is not the primary objective of the audit engagement and hence these types of reports are commonly referred to as "by-product reports". The Reports were addressed to the relevant persons or representatives of the Audit Office whose financial statements have been subject to audit, and who are therefore knowledgeable about both (i) the entity's operations and (ii) the nature of a financial statement audit and the inherent limitations in the scope of an audit and specifically an auditor's consideration and testing of, internal controls over financial reporting in a financial statement audit. Accordingly, the Reports include an alert that restricts their use for any other purpose or by persons other those charged with governance and management. The Reports were written in the context described above and with this assumed level of knowledge and understanding of management and those charged with governance in mind. They were not prepared in the expectation or with an awareness that they may be disclosed to third parties. It is therefore possible that third parties may misunderstand and/or misconstrue the scope and contents of these Reports.

Duty of care

The Reports were addressed to, and were intended solely for the use of, those charged with Governance and Management of the Audit Office and stated that they should not be used for any other purpose or by any other party. Accordingly, we do not accept or acknowledge any responsibility or duty of care to any other party.

Yours faithfully,

PricewaterhouseCoopers

PricewaterhouseCoopers

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December 7, 2010

Auditor General
Office of the Auditor General
3rd Floor, Anderson Square
George Town
Grand Cayman KY1 9000
CAYMAN ISLANDS

Dear Sir,

RE: Audit of 30 June 2010 financial statements

Purpose and use: We have completed our audit of the 30 June 2010 financial statements of the Office of the Auditor General (the "Audit Office") and have issued an unqualified opinion on those statements. Professional standards require that we communicate certain matters to those charged with governance of the Audit Office. The following, which is intended solely for the use of the Auditor General and management of the Audit Office, is a summary of that information.

Auditor's responsibility under generally accepted auditing standards: International Standards on Auditing require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not ordinarily identify all such matters and this report includes only those matters of a governance interest which came to our attention as a result of the performance of our audit.

Responsibilities of Management and those charged with governance: Management's responsibilities are detailed in the engagement letter to which this engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Other information in documents containing audited financial statements: While we have no responsibility to perform any audit work on other information, including forward looking statements, in documents containing audited financial statements, we have read the other information contained in the Audit Office's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or our knowledge of the operations of the Audit Office. We have not reviewed any other documents containing audited financial statements.

Cont'd...../2

General approach and overall scope of the audit: We applied a top-down, risk-based approach to planning and conducting the audit, through the application of well-reasoned professional judgment. We obtained an understanding of the Audit Office's operations and the related risks, which drove our assessment of materiality and identification of audit risks, including key risks, which are audit risks that require special audit considerations. We also obtained an understanding of how management controls these risks, by considering management's approach to internal controls, and we determined how we will test significant account balances and classes of transactions. Our audit approach involved a mixture of substantive testing, on sample basis, of significant transactions and balances, and reliance on controls.

Significant accounting practices: We are responsible for providing our views about qualitative aspects of the Audit Office's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Audit Office to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are not aware of any areas where the significant accounting practices have changed from previous year or are not consistent with general industry practice. In addition we are not aware of any new or controversial accounting practices reflected in the Audit Office's financial statements.

Significant risks and exposures: Significant risks and exposures are disclosed in the financial statement footnotes.

Management's judgments and accounting estimates: There were no matters which required management to make significant judgments or which required significant estimates other than in respect of the estimate of the fair value of the goods and services provided from core Government entities.

Significant audit adjustments (both recorded and unrecorded): A summary of audit adjustments made to the financial statements is attached in Appendix 1 to this letter. Appendix 2 summarizes those uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Going concern doubts: As a result of our audit, we did not become aware of any material uncertainties related to events and conditions that may cast significant doubt on the Audit Office's ability to continue as a going concern.

Material weaknesses in internal control: Matters relating to internal controls identified as part of our audit are outlined in Appendix 3 to this letter.

Cont'd...../3

Fraud or illegal acts: Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable laws and regulations rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, and fraud deterrence. They are also responsible for establishing and maintaining controls pertaining to the entity's objective of preparing financial statements that are presented fairly, in all material respects, in accordance with the applicable financial reporting framework and managing risks that may give rise to material misstatements in those financial statements. In exercising oversight responsibility, those charged with governance should consider the potential for management override of controls or other inappropriate influence over the financial reporting process.

As auditors, in planning and performing the audit, we are required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud. However, we cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgment, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

No fraud or illegal acts came to our attention as a result of our audit.

Disagreements with management: We have had no disagreements with management resulting from our audit.

Management representations: We have requested that management provide us with certain representations in respect of our financial statement audit (Appendix 4).

Audit report: We did not make any modifications to our audit report on the financial statements.

In connection with our independent practitioners' report on the Statements of Outputs Delivered, as presented by pages 10, 13-14, and 18 of the Annual Report, we have made a modification to our report in relation to a limitation of scope in respect of:

- the parameters of each out of the outputs, and
- the accuracy of the information contained in the "Description" field of each Statement of the "Explanation of Variances" commentary following each Statement.

Other miscellaneous matters: We are not aware of any consultations between management and other auditors about audit and accounting matters. We have no questions regarding management integrity. No significant matters were discussed with management prior to our reappointment as auditors. No serious difficulties were encountered in the performance of our audit. We are not aware of any impairment to our independence as auditors.

If you would like to discuss the results of our audit or any other matters in further detail please feel free to call redacted or redacted at (345) 949-7000.

Cont'd...../4

PRICEWATERHOUSECOOPERS

This letter including any appendices is intended for the purpose and use set out above and should not be used for any other purpose or by any other party. It may not be made available to others without our consent.

Yours faithfully,

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

APPENDIX 1: SUMMARY OF ADJUSTED DIFFERENCES

Cayman Islands Audit Office

June 30, 2010

Summary of Identified Misstatements

Ref:	Description	WP ref	Disclosure	Income Statement			Balance Sheet	
				Dr	Cr		Dr	Cr
			CI$	CI$	CI$		CI$	CI$
1	Dr Operating expenses	5800		180,701				
	Cr Contributed Capital	5800						180,701
	Being the adjustment required to record the fair value of the interagency fees not charged by other agencies on direction of Government							
2	Dr Accrued Liabilities	5800					69,269	
	Cr Contributed Capital	5800						69,269
	Being the adjustment required to reverse the 2009/10 surplus payable consequent to recognition of the fair value of interagency services giving rise to a current year loss							
				180,701	-		**69,269**	**249,970**
	Overall impact							
	Dr Income Statement			180,701				
	Cr Balance Sheet							180,701

PRICEWATERHOUSECOOPERS

APPENDIX 3: MATTERS RELATING TO INTERNAL CONTROLS

In planning and performing our audit of the financial statements of the Office of the Auditor General (the "Audit Office") as of and for the year ended 30 June 2010, we considered its internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily identify all matters relating to internal controls that might be material weaknesses (or other weaknesses that are not material weaknesses) in the design or in the operation of internal controls, as defined under International Standards on Auditing below:

Material weakness – a weakness in internal control that could have a material effect on the financial statements, i.e. a weakness in which the design or operation of the specific internal control components does not reduce, to a relatively low level, the risk that errors or fraud in amounts that would be material in relation to the financial statements may occur, and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we noted certain matters involving the system of internal control and its operation, and are submitting for your consideration related observations and recommendations designed to help the Audit Office improve the system of internal control.

This report is intended solely for the information and use of the Auditor General and other management of the Audit Office; it may not be made available to others without our written consent.

APPENDIX 3: MATTERS RELATING TO INTERNAL CONTROLS (CONTINUED)

1. Issues noted from review of Revenue & Receivables Cycle

Observation:
We detected the following issues through our review of the revenue and receivables cycle:

- The Billings spreadsheet is being electronically signed by each manager as evidence of review. However, this spreadsheet is open to manipulation and can be changed retro-actively at any time.
- In a number of instances the budgeted fees on the Billings spreadsheet were missing or did not agree to the fees stated in the Letters of Engagement.
- There is a lack of evidence of the review of monthly reconciliations performed between the accounts receivable sub-ledger and the general ledger by senior management.

Implications:

- The failure to review and sign the Billings spreadsheet increases the risk of intentional and unintentional errors or fraud going undetected which may result in a misstatement of the financial statements.
- The failure to accurately update the Billings spreadsheet for the agreed fees per the Letters of Engagement may result in the Audit Office under (or over) billing it's clients.
- The failure to review and sign the reconciliation between the accounts receivable sub-ledger and the general ledger increases the risk of intentional and unintentional errors and fraud going undetected. It also weakens the control environment.

Recommendations:
We recommend the following:

- The Billings spreadsheet, printed each month should then be manually signed by each manager indicating which invoices are approved for issue.
- All agreed fees per the Letters of Engagement should be accurately entered in the Billings spreadsheet in timely manner. The spread sheet should then be independently reviewed on an ongoing basis for completeness and accuracy. This review should be evidenced by proper sign-off by the independent reviewer.
- Management should evidence review of the monthly reconciliation of the accounts receivable sub ledger to the general ledger through physical or electronic reconciliations in a timely manner.

Management responses:
We are in agreement with the above recommendations and plan to implement them beginning January 2011.

APPENDIX 3: MATTERS RELATING TO INTERNAL CONTROLS (CONTINUED)

2. Controls over cheque payment requests sent to Treasury Department should be strengthened

Observation:
We noted from review of the cheque request process, that the request form sent to Treasury is prepared subsequent to the invoice approval process by the Auditor General and the Deputy Auditor General. Further, we noted that the document sent to Treasury is not signed by the Auditor General or Deputy Auditor General.

Implication:
There exists a risk that the request form sent to Treasury could be edited post invoice approval process giving rise to an increased risk of fraud or errors going undetected.

Recommendation:
We recommend that management review and approve the payment request forms as well as the corresponding invoice prior to their disbursement. Both documents should be included simultaneously in the package given to the Auditor General or Deputy Auditor General to confirm the completeness and accuracy of payment requests sent to Treasury, to ensure that a signed (by Auditor General or Deputy Auditor General) payment request is sent to Treasury, thereby ensuring that payment request are made for those which have gone through the formal approval process.

Management responses:
We are in agreement with the above recommendation and plan to implement immediately.

APPENDIX 3: MATTERS RELATING TO INTERNAL CONTROLS (CONTINUED)

3. Review of monthly management accounts and month end reviews

Observations:
Based on our testing of the monthly management accounts we therefore noted that there is no formal evidence of review of the accounts by the Auditor General or, where the accounts are prepared by the Finance and Admin Manager, by the Deputy Auditor General. We also noted that there is no formal independent review of the reconciliations between the sub ledger and the general ledger in respect of accounts receivables, accounts payables and fixed assets.

Implication:
The failure to formally evidence the sign off or review by the independent reviewer increases the risk of fraud or error going undetected and may result in an unenforced control environment.

Recommendations:
We recommend that the monthly management accounts are formally signed and dated by either the Auditor General or the Deputy Auditor General as evidence of their review. We also recommend that the month end reconciliations of all sub ledgers are subject to review by a person other than the preparer.

Management responses:
We are in agreement with the above recommendation and plan to implement starting January 2011.

APPENDIX 3: MATTERS RELATING TO INTERNAL CONTROLS (CONTINUED)

4. Access to changes in standing data within HR system after approval of monthly payroll

Observations:
We noted from our review of the HR process, that the Finance and Admin Manager can edit the payroll register in HRMS after the payroll has been approved by the Auditor General and/or Deputy Auditor General. The Treasury Department processes the payroll based on the payroll computation as per HRMS.

Implication:
As a result the Finance and Admin Manager's access rights to the HRMS system, the potential exists that salary computations previously reviewed and approved by the Auditor General or Deputy Auditor General can be manipulated, resulting in potential misstatement of the financial statements.

Recommendations:
We recommend that management ascertain, in conjunction with the Treasury Department whether the HRMS system can be reconfigured to prevent unauthorized edit updates after review and approval of payroll by either the Auditor General or the Deputy Auditor General. Alternatively, if the edit rights cannot be reconfigured management could consider transmitting a formal payroll summary approval request signed by either the Auditor General or the Deputy Auditor General to the Treasury Department upon which the payroll payments will be made, rather than relying on the HRMS system as the basis for the payroll payments.

Management responses:
We will discuss this with the HRMS systems people to determine if these edit controls can be implemented electronically. If not, we explore alternative controls with the Treasury Department.

PRICEWATERHOUSECOOPERS

APPENDIX 4: MANAGEMENT REPRESENTATIONS

- *See attached copy.*

COPY

Cayman Islands

Office of the Auditor General
Cayman Islands Government
3rd Floor, Anderson Square
64 Shedden Road
George Town
Grand Cayman KY1-9000

TEL:345-244-3211
FAX:345-945-7738

Email: auditorgeneral@gov.ky

30 October 2010

PricewaterhouseCoopers
P.O. Box 258,
Grand Cayman, KY1-1104,
Cayman Islands

Dear Sirs,

We are providing this letter in connection with your audit of the Financial Statements ("Financial Statements") of Office of the Auditor General (the "Audit Office") as of June 30, ~~2010~~ and for the year then ended for the purpose of expressing an opinion as to whether such Financial Statements present fairly, in all material respects, the financial position, financial performance, and cash flows of the Audit Office in accordance with International Public Sector Accounting Standards ("IPSAS"). We confirm that we are responsible for the fair presentation in the Financial Statements of the statement of financial position ("balance sheet"), statement of financial performance, statement of changes in net worth and cash flow statement in conformity with IPSAS, including the appropriate selection and application of accounting policies.

Certain representations in this letter are described as being limited to those matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. For the purposes of disclosing to you in this letter information of a quantitative nature and which is directly related to amounts included in the Financial Statements, we have applied a de minimis level of CI$2,000. This de minimis level has not been applied in making disclosures to you under points 2, and 9 – 12.

We confirm, to the best of our knowledge and belief, as of the date of this letter, which we understand will be the date of your audit report, the following representations made to you during your audit:

General

1. The Financial Statements referred to above are fairly presented in conformity with IPSAS, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the Audit Office is subject. The Financial Statements have been prepared on a basis which is consistent with the prior year's Financial Statements. We have prepared the Audit Office's Financial Statements on the basis that the Audit Office is able to continue as a going concern, including to meet its obligations in the ordinary course of business, and we are not aware of any significant information to the contrary.

2. We have made available to you all:

   a. Financial records and related data.

   b. Unconditional access to persons within the entity from whom you have requested audit evidence.

3. We confirm that there were no formal minutes prepared for meetings held with the Governor during the year. All matters of audit significance discussed with the Governor have been disclosed to you.

4. The Audit Office has appropriately reconciled its books and records (e.g., general ledger accounts) underlying the Financial Statements to their related supporting information (e.g., sub ledger or third-party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the Financial Statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a statement of financial position account, which should have been written off to a statement of financial performance account and vice versa. All intra-company accounts have been eliminated or appropriately measured and considered for disclosure in the Financial Statements.

5. There are no material transactions, agreements or accounts that have not been properly recorded in the accounting records underlying the Financial Statements.

6. The effects of the uncorrected Financial Statement misstatements summarized in the Appendix 1 to this letter, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. The Financial Statements have been adjusted for the items are summarized in Appendix 2 to this letter.

7. We are responsible for all significant estimates and judgments affecting the Financial Statements. Significant estimates and judgments and their underlying assumptions, methods, procedures and the source and reliability of supporting data are reasonable and based on applicable guidance, and are appropriately disclosed in the Financial

Statements. The procedures and methods utilized in developing assumptions, estimates and judgments are appropriate and have been consistently applied in the periods presented.

Legal and regulatory compliance

8. There have been no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the Financial Statements or as a basis for recording a loss contingency. All actions taken by the Audit Office were within its corporate powers.

9. The Audit Office has complied with all aspects of contractual agreements that would have a material effect on the Financial Statements in the event of noncompliance.

10. We consider that the Audit Office's policies and procedures are, and have been, adequate to ensure compliance with the Proceeds of Crime Law (2008) and the related Money Laundering Regulations (the "Regulations") and the Guidance Notes on the Prevention and Detection of Money Laundering in the Cayman Islands. We are not aware of any events during the reporting period or through the date of this letter which indicate that management's responsibility in this respect has not been carried out effectively. We confirm that no matters have come to our attention with respect to the Audit Office's compliance or possible noncompliance with anti-money laundering laws and regulations in any jurisdiction, the effects of which should be considered for disclosure in the Financial Statements or as a basis for recording a loss contingency or which raises doubt regarding the ability of the Audit Office to continue as a going concern.

Fraud

11. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud or error is prevented and detected.

12. We have no knowledge of any fraud or suspected fraud affecting the entity involving:

    a. Senior management;

    b. Management and other employees who have significant roles in internal control over financial reporting; or

    c. Others where the fraud could have a material effect on the Financial Statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, or others.

(As to the three items above, we understand the term "fraud" to mean those matters described in International Standard on Auditing No. 240.)

Assets

14. All cash and bank accounts and all other properties and assets of the Audit Office of which we are aware are included in the Financial Statements at the balance sheet date. The Audit Office has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed in the Financial Statements.

15. Receivables recorded in the Financial Statements represent bona fide claims against debtors transactions arising on or before the balance sheet date and are not subject to discount. Receivables classified as current do not include any material amounts which are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

Liabilities

16. All liabilities of the Audit Office of which we are aware are included in the Financial Statements at the balance sheet date. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by IPSAS 19 – *Provisions, Contingent Liabilities,and Contingent Assets*, and no unasserted claims or assessments that our legal counsel has advised us are probable of assertion and required to be disclosed in accordance with that Statement. We have consulted with Campbells Attorneys at Law (Cayman Islands) and the Solicitor General of the Cayman Islands Government concerning litigation, claims or assessments.

17. The Audit Office has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

18. We confirm that the Financial Statements are appropriately stated with respect to the liability for pension obligations and the expenses for pension obligations. We further confirm that the disclosures made in the Financial Statements for employee benefits is accurate and sufficient. We confirm that the Public Service Pension Liability for all civil servants (both current and past) is an executive liability of the Honorable Minister of Finance, and consequently, is not included in our Financial Statements.

Equity

19. As per section 39 3 (f) of the Public Management and Finance Law (2005 Revision), the Audit Office shall "retain such part of its net operating surplus as determined by the Minister of Finance". We confirm that as of June 30, 2010, the Audit Office has not been so advised that it may retain any operating surplus'. Consequently, the Audit Office has recorded a total liability of CI$96,000 as at June 30, 2010 in respect of distributions payable to the Minister of Finance representing the surplus arising for the years ending June 30, 2005 and 2007.

20. We have estimated the fair value of the goods and services received from other core Government entities to be CI$180,701 and recorded these in the Financial Statements as expenses and a contribution to capital. We consider this treatment to be in accordance with IPSAS 23 *Revenue from Non-Exchange Transactions (Taxes and Transfers)*. We further confirm that sufficient disclosure has been made in the Financial Statements with respect to these transactions.

Tax matters

21. The Audit Office has no liability to taxation in any jurisdiction.

Disclosure and presentation

22. The following, if applicable, information has been properly disclosed in the Financial Statements in accordance with the requirements of IPSAS 15 – *Financial Instruments: Disclosure and Presentation*:

    a. Exposures to both on and off-balance sheet financial instrument risks and how they arise.

    b. The Audit Office's objectives, policies and processes for managing each financial instrument risk, and the methods used to measure such risks

    c. Summary quantitative data about the Audit Office's exposure to financial instrument risk at the balance sheet date which is consistent with the information provided internally to key management personnel of the Audit Office.

    d. Credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and other price risk), including any concentrations of such risks, pertaining to the Audit Office's financial instruments.

    e. Fair values for each class of financial asset and liability.

23. We confirm that the analysis of expenses as presented in the Statement of Financial Performance has been classified based on the nature of expenses within the Audit Office.

24. The following, if material, have been properly recorded or disclosed in the Financial Statements:

    a. Relationships and transactions with related-parties, as described in IPSAS 20 - Related Party Disclosures, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

b. Significant estimates made in preparing the Financial Statements. (Significant estimates are estimates at the balance sheet date that could change materially within the next year.)

c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

25. There are no:

a. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.

b. Secured liabilities or assets pledged as security.

c. Arrangements with financial institutions involving compensating balances, arrangements involving restrictions on cash balances and lines of credit, or similar arrangements.

d. Commitments to purchase or sell securities under forward contracts, futures contracts, repurchase or reverse-repurchase agreements, underwriting agreements, and other agreements to repurchase assets previously sold.

e. Guarantees, whether written or oral, under which the Audit Office is contingently liable.

f. Commitments under unused lines of credit, guarantees (whether written or oral) and standby letters of credit under which the Audit Office is contingently liable.

g. Contingent assets and liabilities, including sales with recourse, loan and other asset syndication agreements, loans charged off and unfunded loans.

h. Other agreements not in the ordinary course of business.

i. Other off-balance sheet items including swaps, options, futures and forwards related to interest and foreign exchange rates.

j. Financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk, including the following disclosure:

i. The extent, nature, and terms of financial instruments with off-balance-sheet risk.

ii. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments.

Other

26. We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting of which we are aware. We are not aware of any deficiencies in the design or operation of internal controls over financial reporting. We understand the term "material weaknesses" to mean those matters described in International Standard on Auditing No. 315.

27. We consider the Audit Office's functional currency to be Cayman Islands dollar based on the considerations in IPSAS 4 – *The Effects of Changes in Foreign Exchange Rates*.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned Financial Statements.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully,

Auditor General	30 October 2010 Date
Janet Harrison Deputy Auditor General	October 30, 2010 Date

10.30.10

Appendix 1 – Summary of unadjusted differences

Cayman Islands Audit Office

June 30, 2010

Schedule of Unadjusted Differences

Ref:	Description	WP ref	Disclosure	Income Statement			Balance Sheet	
				Dr	Cr		Dr	Cr
			CIS	CIS	CIS		CIS	CIS
1	Dr Other assets	5200-10					2,434	
	Cr Vacation Leave Liability	5200-10						2,434
	Being the adjustment required to reclassify excess vacation leave taken by an employee at the balance sheet which should be recorded as a receivable (reduces the vacation leave liability).							
2	Dr Bad debts write off	5500-10		4,200				
	Cr Revenue	5500-10			4,200			
	Being the adjustment required to reclassify a bad debt write off incorrectly adjusted against revenue.							
3	Dr Payroll costs	5200-10		2,392				
	Cr Employee entitlements liability	5200-10						2,392
	Being the adjsutment required to accrue for understated vacation leave as a result of recent HR Audit findings							
4	Dr Fixed Assets	3000-10					3,390	
	Cr Accumulated Amortization	3000-10						3,390
	Being late adjustment based on HR Audit findings (Annual Leave for 1 employee was understated)							
				6,592	4,200		5,824	8,216
	Overall impact							
	Dr Income Statement			2,392				
	Cr Balance Sheet							2,392

Appendix 2 – Summary of adjustments

Cayman Islands Audit Office

June 30, 2010

Summary of Identified Misstatements

Ref:	Description	WP ref	Disclosure	Income Statement			Balance Sheet	
				Dr	Cr		Dr	Cr
			CIS	CIS	CIS		CIS	CIS
1	Dr Operating expenses	5800		180,701				
	Cr Contributed Capital	5800						180,701
	Being the adjustment required to record the fair value of the interagency fees not charged by other agencies on direction of Government							
2	Dr Accrued Liabilities	5800					69,269	
	Cr Contributed Capital	5800						69,269
	Being the adjustment required to reverse the 2009/10 surplus payable consequent to recognition of the fair value of interagency services giving rise to a current year loss							
				180,701	-		69,269	249,970
	Overall impact							
	Dr Income Statement			180,701				
	Cr Balance Sheet							180,701