



CAYMAN ISLANDS PARLIAMENT

Report to those charged with governance on the 2023 audit

July 2024

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



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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2023 financial statements of the Cayman Islands Parliament (the “Parliament”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Parliament in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:
 - Auditors’ responsibilities in relation to the audit
 - the overall scope and approach to the audit, including any expected limitations, or additional requirements
 - relationships that may bear on our independence, and the integrity and objectivity of our staff
 - expected modifications to the audit report
 - significant findings from our audit
2. This report sets out for the consideration of those charged with governance those matters arising from the audit of the financial statements for 2023 that we consider are worthy of drawing to your attention.
3. This report has been prepared for the sole use of those charged with governance and we accept no responsibility for its use by a third party. Under the Freedom of Information Act (2021 Revision), it is the policy of the Office of the Auditor General to release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR’S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING

4. ISAs 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 interest which came to our attention as a result of the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on 13 September 2023 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

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

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Office of the Auditor General and audit staff, and the nature and scope of the audit, were outlined in the engagement letter presented to the Chief Officer and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. We have issued an unmodified auditor's report on the 2023 financial statements.
9. The gross value of corrected audit adjustments made to the financial statements was about \$93,000. A summary of audit adjustments made to the financial statements is attached in Appendix 1. All the adjustments were identified by OAG. There were no uncorrected audit misstatements.
10. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on 25 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of Parliament's significant accounting practices, including accounting policies, accounting estimates and financial statement

disclosures. Generally accepted accounting principles provide for Parliament to make accounting estimates and judgments about accounting policies and financial statement disclosures.

There were no controversial accounting practices reflected in Parliament's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. Management has made significant judgements and estimates with regard to the following financial statement items:

- depreciation of property and equipment.
- provision for estimated credit loss.

GOING CONCERN DOUBTS

13. 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 Parliament's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

14. Significant deficiencies in internal control are noted in Appendix 2. No other control deficiencies have been identified and communicated separately to management.

FRAUD OR ILLEGAL ACTS

15. 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 Parliament'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.

16. 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.

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

OTHER MATTERS

18. No serious difficulties were encountered in the performance of our audit.

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

ANY OTHER SIGNIFICANT MATTERS

20. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

21. We would like to express our thanks to Parliament's staff for their help and assistance during the audit of this year's financial statements.

Yours sincerely,



Winston Sobers

Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED AUDIT MISSTATEMENTS

All 6 adjustments were identified by OAG and corrected by management.

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement	
1	12/31/2023	Exec/MLA Salary - Rece	12029	430-1			46,845.36			
1	12/31/2023	Pensions Fund Payable	20332	430-1		46,845.36				
		To reverse pension payments payables pertaining to Executive which were booked under Entity at year end.								Factual
2	12/31/2023	Provision for Expected Credit Loss	12501	131. 01			6,447.00			
2	12/31/2023	Bad Debt Provision	58505	131. 01		6,447.00				
		Recognition of provision for expected credit losses								Factual
3	12/31/2023	Exec/MLA Salary - Rece	12029	1600. 5		18,550.88				
3	12/31/2023	Paper and Printing Con	50964	1600. 5			43.50			
3	12/31/2023	Professional Fees	54256	1600. 5			18,507.38			
		Remove incorrectly recorded legal expenses								Factual
4	12/31/2023	Exec/MLA Salary - Rece	12029	430-1			3,857.15			
4	12/31/2023	Accruals - Other	20150	430-1		3,857.15				
		Incorrect accrual of Executive expenses recorded in the entity books for Parliamentary Secretary allowance								Factual
5	12/31/2023	Long service leave and	22100			2,399.00				
5	12/31/2023	Movement in Annual Lea	50150				2,399.00			
		Leave Liability Adjustment								
6	12/31/2023	Surplus Payable	23422				14,502.88			
6	12/31/2023	Surplus Repayment	32007			14,502.88				
		Adjustment to surplus payable to take account of corrected audit misstatements								Factual
						92,602.27	92,602.27			

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and recommendation	Management response and implementation date
<p>1. <u>Parliament sittings</u></p> <p>Parliament’s 2022 and 2023 Plan and Estimates set an output target of 30 – 40 sitting days for the Parliament. However, the Parliament only had 12 sitting days for the year.</p>	<p>Risk/Implication</p> <p>A reduced number of sitting days results in the following:</p> <ul style="list-style-type: none"> • Late tabling of Government minutes and annual reports hampers the accountability process. • Delays in debating bills and making or amending laws. <p>Recommendation</p> <p>Parliament should strive to achieve its output target for the number of sitting days a year.</p>	<p>Sittings of the Parliament are driven by the Hon Premier and thus outside the control of the Parliament.</p> <p>The output target for sitting days for the next budget will be reduced to a more practical number.</p> <p>The review and subsequent amendment of the Standing Order should give more control to the Speaker to set House Sitting dates.</p>

Observation	Risk/Implication and recommendation	Management response and implementation date
<p>2. <u>Non-compliance with section 18(3) of the Parliamentary Pensions Act (2016 Revision) (the Pension Act)</u></p> <p>Section 18(3) of the Pensions Act states that the Government shall deduct a participant’s contribution to the pension fund each pay period from such participant’s pensionable earnings. The Pensions Act defines a participant as an elected Member of Parliament (MP) or the Speaker if the Speaker is not an MP.</p> <p>We noted that the Parliament contributes pensions on behalf of all MPs rather than deduct the contributions from their pensionable earnings. In 2023, the Parliament contributed about \$194,000 in pension on behalf of MPs.</p>	<p>Risk/Implication</p> <p>Non-compliance with the Parliamentary Pensions Act (2016 Revision).</p> <p>Recommendation</p> <p>The Parliament should contribute pension for MPs in accordance with the requirements of the Parliamentary Pensions Act (2016 Revision).</p>	<p>The PMC inherited the responsibility for the Members’ salaries and benefits, including pension, from the Cabinet Office in February 2021 with the payments being added in for the Members. Assumingly this has been occurring since the Act was passed in 1984. Research will have to be carried to determine how to rectify this matter.</p> <p>The Recommendation is noted.</p>
<p>3. <u>Non-compliance with section 31(2) of the Personnel Regulations (2022 Revision) (the Regulations)</u></p>	<p>Risk/Implication</p> <p>Non-compliance with the Regulations.</p>	<p>Recommendation noted.</p>

Observation	Risk/Implication and recommendation	Management response and implementation date
<p>Section 31(2) of the Regulations states that staff can not be employed in acting positions for more than 12 months without the positions having been advertised as interim positions. We noted that three employees had been employed in acting positions for more than 12 months but their positions had not been advertised as required by the Regulations.</p>	<p>Recommendation</p> <p>Management should ensure that staff do not act in positions for more than 12 months unless the positions are advertised as required by section 31(2) of the Regulations.</p>	<p>There are currently no staff members acting.</p>
<p>4. <u>Parliament pays the Speaker an allowance that is not supported by relevant laws and regulations</u></p> <p>Parliament pays the Speaker a monthly entertainment allowance of \$1,000. The entertainment allowance is not prescribed in <i>Schedule 1 – Salaries, allowances and other benefits of Members of the Cabinet and Members of Parliament</i> of the Parliament (Management) Act (2023 Revision). In addition, Parliament did not give us the legal basis for the allowance.</p>	<p>Implication/risks</p> <p>Non-compliance with the Parliament (Management) Act (2023 Revision). In addition, Parliament may incur reputational damage and financial loss if it pays allowances that are not supported by relevant laws and regulations.</p> <p>Recommendation</p> <p>Management should ensure that MPs’ remuneration is paid in accordance with the requirements of the Parliament (Management) Act (2023 Revision).</p>	<p>Recommendation noted.</p> <p>Payment of the Speaker’s allowance will cease until the PMA has been amended</p>

Observation	Risk/Implication and recommendation	Management response and implementation date
<p>5. <u>Parliament did not submit its annual report by the statutory deadline</u></p> <p>Section 44(1) of the Public Management and Finance Act (2020 Revision) (PMFA) requires Government-owned entities to prepare and submit annual reports for the Auditor General’s review within two months after the end of each financial year. Parliament did not submit its 2023 annual report by 29 February 2024 as required by the PMFA.</p>	<p>Risk/Implication</p> <p>Without an annual report showing its actual performance against budget, Parliament can not demonstrate that it is providing value for money for the funding it receives from the Government.</p> <p>Recommendation:</p> <p>Parliament should ensure that it submits its annual reports for review within the statutory deadline imposed by the PMFA.</p>	<p>Recommendation noted.</p> <p>Our Annual Financial Statements were submitted by the statutory deadline. This is where our performance against budget is reported and value for money is demonstrated. Our clean audit was completed in advance of the statutory deadline. The remainder of the annual report does not focus on the financial position of our entity. We will ensure compliance in full going forward.</p>