Office of the Auditor General
CAYMAN ISLANDS

JUDICIAL ADMINISTRATION

Report to those charged with governance on the 2024 audit

September 2025

To help the public service spend wisely

Office of the Auditor General
CAYMAN ISLANDS

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2024 financial statements of the Judicial Administration ("the Administration"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Administration 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; and
   - 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 2024 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 Administration of the Auditor General to release all final reports proactively through our website: www.auditorgeneral.gov.ky.

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 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 Administration 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 Foundation. We are currently reviewing the annual report containing the Administration's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Administration of the Auditor General and audit staff, and the nature and scope of the audit, were outlined in the engagement letter presented to the Acting Court Administrator on 16 September 2024, 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 financial statements for the year ended 31 December 2024.

9. Appendix 1 summarizes the misstatements identified during the audit that were corrected by management. The total value of corrected misstatement amounted to $84K. The uncorrected misstatements included in Appendix 2 totaled $214K.

10. As part of the completion of our audit we sought written representations from management on aspects of the accounts and judgments and estimates made. Management provided us with representations in respect of our financial statement audit on April 30, 2025.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Administration's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Administration 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 are not consistent with general industry practice. In addition, we are not aware of any new or controversial accounting practices reflected in the Administration's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. There were matters which required management to make significant judgments or which required significant estimates such as: receivables from exchange transactions, other receivables, property and equipment, intangible assets and accruals and other liabilities.

GOING CONCERN

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 the Administration's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. Significant deficiencies are noted in Appendix 3.

FRAUD OR ILLEGAL ACTS

15. Applicable auditing standards recognise that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts and regulations rests with both those charged with governance of the Administration 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 Administration'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.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

18. No significant difficulties were encountered during the course of our audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

20. As outlined in Note 17 of the financial statements, in 2024, approval was given by the Portfolio of the Civil Service to transfer $624K from personnel cost to supplies and consumables. The Ministry of Finance did not introduce a supplementary appropriations bill for the funding in Parliament by 31 March 2025 as required by section 11(6) of the PMFA.

21. There were no other significant matters noted during audit.

ACKNOWLEDGEMENTS

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

Yours sincerely,

Patrick Smith, CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

Number	Date	Name	Account No	Debit CI$	Credit CI$
1	12/31/2024	Pensions Fund Payable	20332	51,437.63	
1	12/31/2024	Exec/MP Salary - Receiveable	12029		(51,437.63)
		Removal of Pension for Executive salaries.			
2	12/31/2024	Pensions Fund Payable	20332	25,718.82	
2	12/31/2024	Exec/MP Salary - Receiveable	12029		(25,718.82)
		Portion of Judges pension held in payables that do not pertain to the entity, but instead is payable from Judges.			
3	12/31/2024	Maintenance - Office Equipment	54320	7,192.50	
3	12/31/2024	Expensed (Attractive) Assets	51086		(7,192.50)
		Reclassification from attractive assets to maintenance.			
		Total		**84,348.95**	**(84,348.95)**

APPENDIX 2 – SUMMARY OF UNADJUSTED DIFFERENCES

Number	Date	Name	Account No	Debit CI$	Credit CI$
1	12/31/2024	Basic Salary	50011	19,497.85	
1	12/31/2024	Long service leave and other	22100		(19,497.85)
		Leave liability is understated as annual leave payouts adjustments for persons who are not on the My-Vista schedule.			
2	12/31/2024	Outputs sold to Cabiney (EXCO)	46001	194,800.00	
2	12/31/2024	Debtor (EXCO)	12401		(194,800.00)
		Revenue was erroneously overstated by $195K inclusive of the $165Kof unsupported contingencies.			
		Total		**214,297.85**	**(214,297.85)**

APPENDIX 3 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
1. <u>Non Compliance with the Procurement Regulations (2022 Revision)</u> It came to our attention during the audit that the Administration had entered into a direct contract with a service provider for internet services. In June 2024, a contract for a Direct Internet Access Line, which amounted to approximately $6K per month or $72K for the year was entered into. The Administration advised this was a direct award for the reason that it was a continuation of contract, however the Administration did not demonstrate how this service fell under the justification for a direct award.	**Risk/Implications:** An entity that fails to comply with the procurement framework: - Does not set the right tone of good governance; - Is unable to demonstrate whether it has achieved value for money. **Recommendations:** The Administration should review its procurement practices to ensure it complies with the procurement regulations when considering a direct contract to ensure that they are getting the best value for money.	**Your point is acknowledged. The recommendation will be taken on board.**	**June 2025**

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
The procurement regulation Section 5 allows for direct award under certain circumstances. Those circumstances were not met as the contract includes services which could have been tendered to other vendors. In addition, the EPC approval was not sought for the contract.			
2. <u>Direct Awards to Related Parties</u> It was noted during the audit that the Administration had transactions with members of staff companies during the year, the cumulative total paid amounted to $99K. No evidence was obtained for alternative quotes or the basis of a direct award to the related parties and proper demonstration of value for money. Furthermore, in relation to the related parties there was no contract/business case for one of the related parties and the contract for the	**Risk/ Implication:** Without a valid contract/formal agreement, there may be ambiguity around the scope of services, deliverables, timelines and accountability. In addition, terms and conditions may be unclear to both parties and could lead to a loss in the event of future disagreements and not obtaining value for money.	**Although the cumulative amounts for the contractors exceeded the $10k threshold, there was no instance where a scope of work exceeded $10k, which would require 3 quotes to be obtained.** **We have implemented that for related parties, 3 quotes be obtained even if the amount is below the $10k threshold.** **The point is noted regarding the issuance of contracts, and this will be monitored.**	**June 2025**

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
other party has expired and exceeded the amount expected as per the business case, in addition funds were still being paid.	**Recommendation:** The Administration should ensure that there is a system in place to monitor vendor/staff transactions and flag amounts over 10k cumulatively. Additionally, the Administration should ensure that the contracting process is concluded before services are rendered and there is proper demonstration of value for money.		
3. <u>Non Compliance with the Procurement Regulations</u> <u>Maintenance Service Direct Award</u> The Administration made payments for maintenance services rendered solely based on invoices. These	**Risk/ Implication:** 1. **Lack of Accountability & Transparency** – Without a contract, there are no predefined deliverables, timelines, or service expectations, making it	**While the total cost for maintenance services exceeded $100k, the total paid to individual contractors did not exceed this amount.** **The jobs completed were generally reactive works to meet the needs of the Courts**	

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
accumulated to over $100K during the financial year. Based on our observation there was no demonstration of how value for money was achieved and how these services were procured under the Procurement Regulations. Furthermore there was no written contract in place. This lack of documented agreements makes it impossible to assess whether invoices align with the expected output or determine value for money.	difficult to verify whether services rendered meet agreed-upon standards. 2. **Potential Financial Loss** – Payments exceeding $100K without detailed agreements pose a risk of overpayment or discrepancies in the invoicing process. 3. **Legal Exposure** – The absence of contracts weakens the client's legal standing in case of disputes. Without written terms, it becomes difficult **Recommendation:** 1. **Establish Formal Contracts** – Implement legally binding agreements for all service engagements to define scope, pricing, and expectations.	**(e.g. leaking roof, replacement of missing tiles, painting Judges's chambers, removing waste).** **These jobs individually did not exceed the $10k threshold, and so did not require 3 quotes to be obtained.** **The maintenance services were procured according to the Procurement Law and Regulations.** **We agree that there may not have been agreements issued in all instances and this will be monitored and corrected going forward. We will be putting a contract framework in place in the latter part of 2025.**	**Oct 2025**

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
	2. **Introduce Verification Mechanisms** – Ensure invoices are reviewed against predefined service benchmarks before approval. 3. **Mitigate Legal Risks** – Ensure contracts are reviewed by the appropriate personnel to protect against potential lawsuits and liabilities related to service disputes.		
4. **<u>Re- iteration from Prior Year Failure to Account for Revenues in Line with IPSAS Standards.</u>** IPSAS 9 requires the Administration to recognise revenue in the accounting period in which it is earned and to apply the revenue recognition policy	**Risk/ Implication:** The Administration is not in compliance with its revenue recognition policy and with the requirements of IPSAS 9. Amounts recorded as revenue earned could be misleading to decision makers and	**We attempted to make the change during the course of 2024. However, our expectations of expenditure at the end of the year were not realized, which resulted in reporting a surplus position.**	**March 2025**

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
consistently. Based on the Administration's cost recovery policy, the expectation was a break-even scenario at year end. We noted that during the first quarter the Administration billed on a 1/12 basis and then changed over to the cost recovery. At the end of the year the Administration recorded a profit of $195k which was based on an added contingency for invoices not received at year end. The model used does not reflect the cost recovery policy per thee standards and has not been applied consistently throughout the year.	could have a material impact on the financial statements. **Recommendation:** OAG recommends adherence to the Entity's cost recovery policy to ensure billing is done only to the extent of cost.	**We have rectified this practice and we are adhering to the cost recovery policy to ensure that we bill to the extent of cost.**	