Office of the Auditor General
CAYMAN ISLANDS

OFFICE OF THE OMBUDSMAN

Report to those charged with governance on the 2023 audit

September 2024

To help the public service spend wisely

Office of the Auditor General
CAYMAN ISLANDS

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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 Office of the Ombudsman (the "Office" or "OMB"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Office in sufficient time to enable appropriate action. The matters we are required to communicate under ISAs include:
   - Auditor's 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.

AUDITOR'S 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.

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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 have read the other information contained in the Office'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 Office. We have not reviewed any other documents containing the Office'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 Ombudsman and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an unmodified auditor's report on the 2023 financial statements.

9. There were no corrected audit adjustments made to the financial statements. Appendix 1 summarizes those 2023 uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, individually and in aggregate, to the financial statements taken as a whole.

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 10 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Office's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Office to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Office's financial statements.

12. Details of any significant findings from the audit are included in Appendix 2 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. There were matters which required management to make significant judgments or which required significant estimates such; loss allowance for doubtful debts, impairment and depreciation of property, plant and equipment and amortization of intangible assets.

GOING CONCERN DOUBTS

14. 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 Office's ability to continue as a going concern.

SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

15. We identified significant deficiencies in internal control as part of our audit. Details of these deficiencies are included in Appendix 2 along with management's response.

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize 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 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 Office'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 control or other inappropriate influence over the financial reporting process.

17. 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.

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

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

ACKNOWLEDGEMENTS

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

Yours sincerely,

Sue Winspear
Auditor General

APPENDIX 1 – SUMMARY OF UNCORRECTED MISTATEMENTS

Unrecorded - Factual

Date	Name	Debit ($)	Credit ($)
12/31/2023	Movement in annual leave provision	8,496.52	
12/31/2023	Long service and other leave accrual		8,496.52
	To correct under accrual of unutilized leave days		

APPENDIX 2 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
1. Failure to strictly adhere to the entity's revenue recognition policy IPSAS 9 requires an Entity to recognize revenue in the accounting period in which it is earned. We noted that the Office bills the Cabinet by dividing appropriated amounts by twelve months. The Office then monitors expenditure towards year end to ensure billing is in line with actual expenditure. However, the Office reported a surplus of $190 thousand in the year. Based on the entity's cost recovery policy, the expectation was a break-even scenario at year end. OAG noted that a payable to Cabinet with the amount in surplus was recorded hence the financial statements were not qualified in this regard.	**Risks/Implications** The Office is not in compliance with its revenue recognition policy and with the requirements of IPSAS 9 and therefore the Public Management & Finance Act. **Recommendation** OAG recommends strict adherence to the Office's cost recovery revenue recognition policy by ensuring billing is done only to the extent of costs incurred.	The surplus of $190 thousand, due to excess cabinet funding billed over actual expenditure, is recorded as a payable and will be repaid to Cabinet in 2024. Recommendation accepted to record revenue in line with actual expenditure.	2024
2. Lack of justification for direct awards Section 5 (2) of Cayman Islands Government procurement regulations require every direct award to be in writing with a relevant basis for direct sourcing. The Office awarded	**Risks/Implications** The Office is not in compliance with Section 5 (2) of Cayman Islands	Given the uncertain nature of legal proceedings, it would have been difficult to ascertain the extent to which legal services would have been required. The Office accepts	2024

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
contracts to two of its legal consultants amounting to $28 thousand and $9 thousand respectively without proper written justifications.	Government procurement regulations. **Recommendation** The Office should ensure that there is a written justification for a direct award in line with the procurement regulations before a contract is awarded.	the recommendation to correct the procurement route taken when they become aware of growing expenses.	