



PORTFOLIO OF LEGAL AFFAIRS

Report to those charged with governance on the 2023 audit

October 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 Portfolio of Legal Affairs (the “Portfolio” or “POLA”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Portfolio 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.

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 Portfolio'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 Portfolio. We have not reviewed any other documents containing the Portfolio'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 REPRESENTATION

8. We have issued an unmodified auditor's report on the 2023 financial statements.
9. There were no audit adjustments made to the financial statements.
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 20 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Portfolio's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Portfolio 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 Portfolio's financial statements.
12. Details of any significant findings from the audit are included in Appendix 1 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 Portfolio'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 1 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 Portfolio'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 Portfolio for their help and assistance during the audit of this year's financial statements.

Yours sincerely,



Sue Winspear
Auditor General

APPENDIX 1 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. Breach of procurement appraisal limits</p> <p>Section 5(3)(c) of Cayman Islands Government procurement regulations require that a request for direct award with a procurement value over \$250 thousand should be endorsed by the Public Procurement Committee (PPC). We noted two instances where cumulative totals (including prior year costs) for procurement of legal services exceeded \$250 thousand but were not endorsed at PPC level. Understandably, at the point of initiating the procurement, the Portfolio did not anticipate that costs would go past \$250 thousand.</p>	<p>Risks / Implications</p> <p>The Portfolio is not in compliance with Section 5(3)(c) of Cayman Islands Government procurement regulations.</p> <p>Recommendation</p> <p>The Portfolio should correct the procurement route taken when they become aware of growing expenses.</p>	<p>It is Management’s view, that at the time of preparation of the business case the Portfolio acted in accordance with the Regulations, as the procurement value determines whether a direct award is to be approved by the CO, EPC, or PPC. Per the Regulations, procurement valuation is defined as the estimated purchase or contract value prior to initiating a procurement project. Given the uncertain nature of legal proceedings, it would have been difficult to ascertain the extent to which legal services would have been required.</p>	<p>2024</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		Going forward if legal costs are expected to exceed the procurement threshold in respect of which the approved business case is based, the Entity makes an undertaking to assess the future costs and carry out additional procurement processes as necessary.	
<p>2. Inadequate Segment Reporting Disclosure within the Financial Statements</p> <p>IPSAS 18 paragraphs 53 and 54 require an entity to disclose the total carrying amount of segment assets and liabilities. We noted that the entity has taken the approach of only disclosing revenue and expenses which is the information reviewed by the key decision makers in the entity. While the approach is reasonable, this disclosure requirement is not optional as per the standard.</p>	<p>Risks/ Implications</p> <p>The Portfolio is not fully compliant with the segment reporting requirements under IPSAS 18 and therefore not compliant with the Public Management & Finance Act.</p> <p>Recommendation</p> <p>Going forward, the Portfolio should include segment assets and liabilities within the segment reporting disclosure.</p>	Recommendation accepted. The Portfolio will endeavor to report assets and liabilities on a segmented basis going forward.	2024

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>3. Expired cleaning services contract for the Law school</p> <p>Cleaning services contract for the Law school with a total annual cost of \$ 22 thousand expired on 24 November 2006. The Portfolio continues to engage and pay for the services without a valid contract.</p>	<p>Risks/ Implications</p> <p>The interests of the Portfolio could be at risk should there be a legal dispute over the terms of the contract.</p> <p>Recommendation</p> <p>Management should ensure that contracts are renewed upon expiration or initiate a new procurement process.</p>	<p>Management agrees to recommendation.</p>	<p>2024</p>