



OFFICE OF THE COMMISSIONER OF POLICE

Report to those charged with governance on the 2021 audit

March 2022

*To help the public service
spend wisely*

TABLE OF CONTENTS

Introduction	4
AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT.....	4
Auditor’s responsibility under International Standards on Auditing	4
Responsibilities of Management and Those Charged With Governance.....	5
Other information in documents containing audited financial statements:	5
CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT.....	5
AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION	5
SIGNIFICANT FINDINGS FROM THE AUDIT	6
Significant accounting practices	6
Management’s judgments and accounting estimates	6
Going concern doubts	6
Significant and other deficiencies in internal control	6
Fraud or illegal acts	6
Significant difficulties encountered during the course of our audit	7
Disagreements with management	7
Any other significant matters.....	7
Acknowledgements	8
Appendix 1 – Summary of Corrected Misstatements.....	9
Appendix 2 – Summary of Uncorrected Misstatements.....	Error! Bookmark not defined.
Appendix 3 - Internal control matters.....	10

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2021 financial statements of the Office of the Commissioner of Police (the “Office”). 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:
 - 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 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 (2020 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 30 August 2021 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 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.

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 2021 financial statements.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1
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 31 March 2022.

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 internal control deficiencies identified during the audit are included in Appendix 2 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. There were no matters which required management to make significant judgments or which required significant estimates.

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 internal control deficiencies as part of our audit. Details 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 controls 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

Section 9(3) of PMFA states that "Appropriations may be granted only in respect of — (a) the executive expense which may be incurred for each output group to be purchased by the Cabinet from ministries, portfolios, the Office of the Ombudsman, the Audit Office, statutory authorities, government companies or non-governmental output suppliers;" In reference to Section 9(3)(a) above, section 9(4) of the PMFA says "An amount appropriated in respect of an output group, category, equity investment or executive asset referred to in subsection (3) may be used only for that output group, category, equity investment or executive asset"

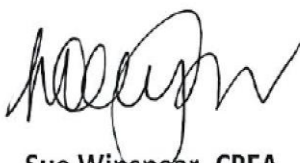
OCP incurred additional legal liabilities of ~\$2m during the year which was not budgeted for, and these amounts were accrued and billed to Cabinet using the unused appropriation from an output group. The billing to Cabinet raised the question of whether there was a potential breach of section 9(4) of the PMFA in the instance where OCP billed Cabinet for funds using savings from unrelated output group(s).

Following inquiries with the finance team of OCP, we obtained and reviewed the relevant supporting documents (to collaborate OCP's responses), noting that the legal expenditure incurred, was billed against savings from outputs in the same output group, hence there is no breach of the PMFA. We have recommended to management that consideration should be given to ensuring that reasonable budgetary allocations, that are reflective of the nature of OCP's operations, be made to cover legal liabilities in subsequent budgets.

ACKNOWLEDGEMENTS

21. We would like to express our thanks to the staff of the Office of the Commissioner of Police for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within the agreed timetable.

Yours sincerely,



Sue Winspear, CPFA

Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Date	Name	Account No	Debit	Credit
12/31/2021	Debtor (due from oth	12404	1,689,977.26	
12/31/2021	Debtor (due from oth	12404		
12/31/2021	Accruals - Other	20150	27,000.00	
12/31/2021	Accrual -Annual Leav	22106		(277,348.23)
12/31/2021	Other Current Liabil	23400		(1,902,002.97)
12/31/2021	Outputs Sold to Cabi	46001		(1,689,977.26)
12/31/2021	Movement in Annual L	50150	277,348.23	
12/31/2021	Settlement of Case	58604	1,875,002.97	
Client proposed adjustments: 1.				
Additional Accruals arising from Ongoing/ Pending				
12/31/2021	Accruals - Other	20150		(49,580.33)
12/31/2021	Electricity	51405	14,272.00	
12/31/2021	Lease of Sites or Bu	58001	35,308.33	
Client proposed adjustmnets to				
accrue Rent and Electricity relating to restoration				
			3,918,908.79	(3,918,908.79)

APPENDIX 2 – INTERNAL CONTROL MATTERS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. Budgeting and billing of Output Revenue</p> <p>The Office bills Cabinet for some Outputs based on the number of hours spent by its employees on delivering the Outputs specified in the Cayman Islands Government’s Budget Statements (the “Budget Statements”) for the 2020 and 2021 financial years.</p> <p>Based on the minimum hours and the approved Appropriations for each Output code (as set out in the ABS), a cost per hour is determined and this forms the basis of the Output Revenue billing.</p> <p>We noted that the Outputs specified in the Budget Statements for Output codes POL 1, POL 2, POL 3, POL 4 and POL 5 were based on a minimum number of hours that is unachievable based on the Office’s current staffing levels. As a result, in 2021, the</p>	<p>Risk/Implication:</p> <p>Output Revenue in the financial statements may be misstated; negatively impacting the Office’s ability to recover sufficient revenue to meet its expenses.</p> <p>Recommendation:</p> <p>Management should ensure that the Office’s budget is based on realistic assumptions and/ or targets.</p>	<p>The cost per hour included in the 2020/ 2021 Budget were determined during Q3 2019 and were based on the best information available at that time.</p> <p>The Outputs specified in the Budget Statements for Output codes POL 1, POL 2, POL 3, POL 4 and POL 5 were based on a minimum number that did not take into consideration the following Non-Billable hours items:</p> <ul style="list-style-type: none"> • Annual Vacation Leave hours • Annual Sick Leave hours • Unvalidated TRS hours • Training hours • Public Holiday hours (approximately 64 civilian employees) 	

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>Office had to adjust its cost per hour used to bill Cabinet to recover unbilled Appropriations relating to the 2021 financial year.</p>		<p>As a result of these factors the minimum budgeted numbers were overstated by approximately 62,000 hours.</p> <p>This matter was identified and brought to the OAG attention at the planning stage of the audit engagement.</p> <p>It should be noted that OCP's 2020 and 2021 actual revenues did not exceed the approved appropriations. The full appropriations were therefore billed to Cabinet, accepted by Treasury and paid to the OCP.</p>	
<p>2. Budgeting of Disposal for PPE</p> <p>Zero amount was budgeted for the 2021 budget for the disposal of PPE. However, actual PPE disposal increased significantly compared to PY. Since this increase was partly due to a lot of fixed asset having a useful life ending in the 2021, that could have been a sufficient basis for a budgeted estimate for disposal for PPE for the 2021 financial year, however, no budget amount was reported for PPE disposal.</p>	<p>Risk/Implication:</p> <p>The lack of robust budgeting could negatively impact the Office's ability to fund or replace its fixed assets when they are fully utilized.</p> <p>Recommendation:</p> <p>Management should ensure a thorough and robust assessment based on realistic assumption for their budget preparation.</p>	<p>Management employs a robust method analyzing past costs/trends combined with agreed planned initiatives and directives in formulating the budget, utilizing all available information at the time of the Budget preparation.</p> <p>The planned vehicle replacement project is being strategically managed with the emphasis on low carbon emission vehicles when compared to the older fleet that was not fit for purpose, (Hybrid 1.5L vs 3.5L). Carbon emissions and the cost of fuel and maintenance for these over-powered police vehicles was also a consideration.</p>	

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		<p>Additionally, vehicles are recommended to be disposed after recommendation by the Fleet Manager and an independent examination by the Department of Vehicle Services. This information would not have been available during the Budget process in 2021.</p> <p>Management responded to the above by implementing a strategy that conformed with the above, taking into account economic/ social factors with a long-term view to adding value in a financially depressed environment, as a result of the COVID-19 pandemic.</p>	