



CAYMAN ISLANDS PARLIAMENT

Report to those charged with governance on the 2022 audit

September 2023

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

TABLE OF CONTENTS

Introduction	1
Auditors responsibilities in relation to the audit	1
Auditor’s responsibility under International Standards on Auditing.....	1
Responsibilities of Management and Those Charged With Governance	2
Other information in documents containing audited financial statements.....	2
Conduct, approach and overall scope of the audit	2
Audit report, adjustments and management representations	2
Significant findings from the audit.....	3
Significant accounting practices	3
Management’s judgments and accounting estimates.....	3
Going concern doubts.....	3
Significant and other deficiencies in internal control.....	3
Fraud or illegal acts.....	3
Other matters	4
Any other significant matters	4
Acknowledgements	4
Appendix 1 – Summary of corrected misstatements	5
Appendix 2 - Internal control matters & significant findings.....	6

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2022 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 2022 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 2022 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 2022 financial statements.
9. The gross value of corrected audit adjustments made to the financial statements was about \$48 thousand. A summary of audit adjustments made to the financial statements is attached in Appendix 1. All the adjustments were identified by management. 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 9 May 2023.

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 regards to the following financial statement items:

- depreciation of property and equipment
- provision for doubtful debts

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,



Angela Cullen, CPFA
Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

All three adjustments were identified by management.

Dr	Date	Name	Account No	Reference Annotation	Debit	Credit	
	31/12/2022	Surplus Payable	23422		8,421.51		
	31/12/2022	Surplus Repayment	32007			8,421.51	
		Being entry to book surplus repayment					
	31/12/2022	Accruals - Other	20150			8,421.51	
	31/12/2022	Professional Fees	54256		1,480.00		
	31/12/2022	Professional Fees	54256		5,653.13		
	31/12/2022	Professional Fees	54256		879.38		
	31/12/2022	Transportation	54405		125.00		
	31/12/2022	Subscription - Associa	57167		284.00		
		Client: PARL Additional 2022 Year-end accruals					
	31/12/2022	WIP - Software	17016			31,120.00	
	31/12/2022	Computer Software	17120		31,120.00		
		Client - Being entry to transfer Intangible – WIP to Computer Software					
					47,963.02	47,963.02	

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and recommendation	Management response and implementation date
<p>1. <u>Non-compliance with the Parliament (Management) Act (2020 Revision)</u></p> <p>Section 8 (1) of the Parliament (Management) Act (2020 Revision) (the Act) requires the Council of the Parliament Management Commission to meet at least once quarterly.</p> <p>We noted that the Council did not meet from March 2022 to February 2023.</p>	<p>Risk/Implication</p> <p>Inadequate oversight, administration and management of the Parliament and the Parliament Management Commission.</p> <p>Non-compliance with the Act.</p> <p>Recommendation</p> <p>The Council should meet at least quarterly as required by the Act.</p>	<p>The Council has implemented a schedule for quarterly meetings. Two meetings were held in the first quarter of the 2023 year.</p>
<p>2. <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 seven sitting days for the year.</p> <p>As a result, it could only bill 23 per cent of the output revenue for that output target.</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, which hampers the accountability process. • Delays in debating bills and making or amending of laws. <p>Parliament may not earn enough output revenue to meet its operating costs, including employee salaries.</p> <p>Recommendation</p>	<p>The Hon Speaker is in the process of creating a yearly schedule for the Meetings of the House which has to be in consultation with the Hon Premier.</p> <p>Regular dates for House Meeting are also to be proposed as part of the review and amendment of the Parliament Standing Orders.</p>

<p>Parliament should strive to achieve its output target for the number of sitting days in a year.</p>	<p>Parliament should strive to achieve its output target for the number of sitting days in a year.</p> <p>Risk/Implication</p> <p>Without a travel policy, travel arrangements for Ministers and Members of Parliament on Parliamentary business may not be efficient, cost-effective, or properly approved.</p> <p>Recommendation</p> <p>Management and the Parliament Management Commission should ensure that there is a written travel policy to guide official travel for Ministers and Members of Parliament. The policy should incorporate value for money considerations.</p>	<p>We have indicated that we follow CIG travel policy as the Official Leave forms are processed by our CFO on a strict basis.</p> <p>We will however ensure that a policy is drafted by the end of August 2023 for official leave for the MPs and staff.</p>
<p>Parliament should strive to achieve its output target for the number of sitting days in a year.</p>	<p>3. <u>Travel Policy for the Parliament</u></p> <p>Section 22.1 of the Ministerial Code of Conduct requires an official travel policy for Ministers to ensure that their travel arrangements are efficient, cost-effective, and properly approved.</p> <p>We noted that Parliament does not have a travel policy establishing guidelines for official travel by Ministers and other Members of Parliament.</p>	<p>We have indicated that we follow CIG travel policy as the Official Leave forms are processed by our CFO on a strict basis.</p> <p>We will however ensure that a policy is drafted by the end of August 2023 for official leave for the MPs and staff.</p>
<p>Parliament should strive to achieve its output target for the number of sitting days in a year.</p>	<p>4. <u>Human resource (HR) management</u></p> <p>We noted several HR-related issues, indicating deficiencies in Parliament's HR management controls. For example:</p> <ul style="list-style-type: none"> Parliament employed four employees in acting roles from July 2021 to December 2022, an 18 months period. This contradicts the requirements of section 31(1) of the Personnel Regulations (2022 Revision) (the "Regulations") which imposes a 12 months limit. 	<p>Unfortunately, the termination of the acting was delayed as recruitment was being undertaken for those posts. Policy has been created which references the Personnel Regulations of a maximum of 12 months.</p> <ul style="list-style-type: none"> The memo specifically stated the period of time for the payment of the duty allowance. Treasury continued

<ul style="list-style-type: none"> • The Parliament paid an employee a duty allowance for ten months in error. In total, \$6,000 was paid. Another employee was incorrectly paid a duty allowance of \$607 in September 2022. • From September 2022 to October 2022, an employee was paid a monthly salary of \$6,188 compared to a contractual salary of \$5,399. Management did detect and correct the error in November 2022. • Parliament paid an employee the electricity subsidy honorarium of \$150 in July 2022, yet the employee left their employment in April 2022. 	<p>Recommendation</p> <p>Management should ensure that individuals do not act in positions for more than 12 months as required by the Regulations.</p> <p>Management should ensure that it has adequate controls in place to detect and correct any errors in payroll processing.</p>	<p>to pay the duty after the end date and unfortunately this was not recognized by the former HRM. The overpayment is currently being repaid on a monthly basis. The duty allowance of \$607 was paid by Treasury in error as they were not informed to do so.</p> <ul style="list-style-type: none"> • The payment of incorrect salary was an error on the part of PoCS as they entered the incorrect pay scale as an 'J' instead of a 'K'. Procedures have been implemented to verify information inputted by PoCS prior to a salary run. • The employee's honorarium was supposed to have been end-dated in the system however the documents were not sent to PoCS in time. Check list has been created to ensure that documents are submitted to PoCS in a timely manner.
<p>5. Value for money from leases</p> <p>In March 2022, Parliament entered into a lease contract for premises in George Town. The business case for the premises stated that Parliament</p>	<p>Risk/Implication</p> <p>Lack of value for money from spending public funds.</p>	<p>There was no suitable and cost-effective office space available in close proximity to the House of Parliament. We waited a year for the Secretariat</p>

<p>needed 2,500 to 3,000 square feet of working space.</p> <p>According to the business case, the premises subsequently rented by the Parliament had about 2,600 sq. ft of space available for rent at a cost of about \$7,700 monthly. However, Parliament rented 4,000 sq. ft at a cost of about \$11,000 monthly.</p> <p>Ten staff members currently occupy the premises. 4,000 sq. ft of office space for ten staff members seems excessive, bringing into question the value-for-money Parliament is getting from the lease. It is also unclear why the Parliament rented more space than it needed, as stated in the business case.</p>	<p>There is a risk of negative perception or reputational risk as the public may perceive that the entity is wasting public funds by occupying an office space that is more than what they need.</p> <p>Recommendation</p> <p>Management should ensure that it contracts for goods and services on terms and conditions consistent with its approved business cases. Reasons for deviations from the business cases should be documented and approved.</p>	<p>Commission to move out of Artemis House only for the space to be removed from the rental pool. There was an option to only take 3,000 square feet at Bermuda House however we would have had to incur the cost. As we need to be hard wired in to the Government Network this would have necessitated digging a trench to run a cable from an office that had the connections. BH had the connections with the DPP Offices in the same building. The space at Bermuda House now affords a staff lunch room and lounge. A training room was added which is also utilized by other Government Departments.</p> <p>It also provides additional space for storage. We are totally out of storage space at the House of Parliament and would have had to rent a storage unit which is not advisable.</p>
<p>6. <u>Managing potential conflicts of interest</u></p> <p>One of Parliament's key management personnel submitted a Notice of Interests form indicating she owned or partly owned some companies. However,</p>	<p>Risk/Implication:</p> <p>Without full details of companies owned by employees, Parliament is unable to identify and manage potential conflicts of interest.</p>	<p>The recommendation is noted.</p> <p>The finance team maintains a record that is used to identify related party transactions.</p>

<p>Parliament did not obtain the names of these companies in order to identify and manage any potential conflicts of interest.</p>	<p>In addition, the related party's disclosure in the financial statements will be misstated if transactions with related parties cannot be identified and disclosed.</p> <p>Recommendation: Management should ensure that all employees fully declare their financial interests. A record of these declarations should be retained and used to identify and manage conflicts of interest.</p> <p>The records should also be used to identify related party transactions for disclosure in the financial statements.</p>	<p>It should be noted that the personnel referred to is no longer employed with Parliament.</p> <p>The section referred to was understood to be a copy/paste error and not that it was incomplete.</p> <p>Additional scrutiny and confirmations would be sought going forward.</p>
--	---	--

