



PUBLIC SERVICE PENSIONS BOARD

Report to those charged with governance on the 2019 audit

17th July 2020

*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 2019 financial statements of the Public Service Pensions Board ('the Board or PSPB'). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Board 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 2019 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 Law (2020 Revision)* it is the policy of the Office of the Auditor General to release all audit reports upon request.

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 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 work on other information, including forward looking statements, containing audited financial statements, we read the other information contained in the Public Service Pensions Board's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or our knowledge of the operations of the Public Service Pensions Board.

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 Ms. Jewel Evans-Lindsey, Managing Director of Public Service Pensions Board on 1 October 2019, 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 with emphasis of matters dated 29 April 2020 on the financial statements. We included emphasis of matters relating to The Public Authorities Law (2020 Revision) Section 47 – Terms and conditions and remuneration of staff came into effect on 1 June 2019.
9. A summary of misstatements corrected by management is attached in Appendix 1. The total net adjustments to the Net Assets amounted to \$689,404.69 of which \$558,460.71 were client adjustments and \$130,943.98 were OAG audit adjustments. Appendix 2 summarizes those uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
10. As part of the completion of our audit we seek written representations from management on aspects of the accounts and judgements and estimates made. Management has provided us with written representations on 29 April 2020 in respect of our financial statement audit.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

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

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

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

MATERIAL WEAKNESSES IN INTERNAL CONTROL

14. We identified a number of significant matters relating to internal controls as part of our audit. These are outlined at Appendix 3.

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 the entity'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 serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

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 the staff of the Public Service Pensions Board for their help and assistance during the audit of this year's financial statements.

Yours Sincerely,



Sue Winspear, CPFA

Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Summary Client Adjustments

Number	Date	Name	Account No	Debit	Credit
1	12/31/2019	Fund Surplus/Obligation	1799-00		-32,000.00
1	12/31/2019	Pension Expense - DB	7332-00	32,000.00	
Increase in DB Liability for FY 2019 (OCI portion)					
2	12/31/2019	Fund Surplus/Obligation	1799-00	59,000.00	
2	12/31/2019	Remeasurement of employment bene	9000-00		-59,000.00
Decrease in DB Liability for FY 2018 (OCI)					
3	12/31/2019	Fund Surplus/Obligation	1799-00	12,000.00	
3	12/31/2019	Pension Expense - DB	7332-00		-12,000.00
To account for contributions received in FY 2019 for DB participants.					
4	12/31/2019	Post-retirement Health Care Cost	1780-00		-172,000.00
4	12/31/2019	Defined Benefit Cost - Post-reti	7448-00	50,000.00	
4	12/31/2019	Remeasurement of employment bene	9000-00	122,000.00	
Adjusting balance of PR Healthcare DB Obligation for FY 2019 (OCI & PL)					
5	12/31/2019	Benefits Paid - PSP Plan: 8000-05 . PSP Commutat	8000-00	5,670.99	
5	12/31/2019	Pensioners Payroll Cheques	8005-00		-5,670.99
Ref: Adjustment to account for voided checks for Gladwyn/Catherine/Stephanie Mclean in September & October 2019. See File Note – Adjustment to #8005-00 (PSP Benefits Paid) September-October 2019 dated 10th March 2020.					

6	12/31/2019	Contributions Receivable - DB	1530-00	4,066.67	
6	12/31/2019	Contributions - DB PSL	5040-00		-4,066.67
<p>Invoice #CIAAFeb38: Defined Benefit Contributions - CIAA - Difference due to change in PSL rate - 1 Jan 2017 - 31 Dec 2019</p>					
7	12/31/2019	Contributions Receivable - ANC:1535-23	1535-00		-3,389.17
7	12/31/2019	Contributions - DB PSL	5040-00	3,389.17	
<p>WA - Overpayment - Due to Change in Rate for DB PSL.</p>					
9	12/31/2019	Contributions Receivable - ANC:1535-23	1535-00	95,195.59	
9	12/31/2019	Contributions - DB PSL	5040-00		-95,195.59
<p>Invoice #WAANCDB2019: Water Authority - Difference due to change in DB PSL rate - 1 Jan 2017 - 31 Dec 2019</p>					
10	12/31/2019	Investment Mngt Fees Payable	2000-01		-8,111.05
10	12/31/2019	Investment Management Fees- IFP	7010-05	8,111.05	
<p>Inv. No: PSPB0041 - Management fees for the period 1 Oct to 31 Dec 2019. Change from \$738,205.00 to \$746,316.05.</p>					
11	12/31/2019	Custodial Fees Payable	2000-03		-174.53
11	12/31/2019	Custodial Fees	7005-00	174.53	
<p>Custodial Fees: Inv. No: 228319 - Billing Period: 1-30 December 2019. Change from \$7,660.20 to \$7,834.73.</p>					
12	12/31/2019	Contributions - ER	5000-00	24,783.72	
12	12/31/2019	Contributions - ER	5000-00	1,949.41	
12	12/31/2019	Contributions - EE	5020-00	24,783.72	
12	12/31/2019	Contributions - EE	5020-00	1,949.41	
12	12/31/2019	Contributions - DB PSL	5040-00	1,446.37	
12	12/31/2019	Contributions - ANC	5050-00	1,362.56	
12	12/31/2019	Audit Adjustments	6304-00		-56,275.19

Re: Income for FY 2018 understated
, due to no accrual for CTF for December 2018

13	12/31/2019	Contributions Receivable - ER	1500-00		-21,223.06
13	12/31/2019	Contributions Receivable - EE	1520-00		-21,223.06
13	12/31/2019	Contributions - ER	5000-00	21,223.06	
13	12/31/2019	Contributions - EE	5020-00	21,223.06	

14	12/31/2019	Contributions Receivable - ER	1500-00		-9,904.44
14	12/31/2019	Contributions Receivable - EE	1520-00		-9,904.44
14	12/31/2019	Contributions - ER	5000-00	9,904.44	
14	12/31/2019	Contributions - EE	5020-00	9,904.44	

21	12/31/2019	Payroll Liabilities	2008-00		-403.64
21	12/31/2019	Salary Expense	7440-01	403.64	

Re: Adjustment to bring Payroll
Liability in balance with amended report

22	12/31/2019	Contributions Receivable - ANC:1535-23	1535-00	47,918.88	
22	12/31/2019	Audit Adjustments	6304-00		-47,918.88

Re: Net Over-payment for WA was
over-stated in FY 2018 in the amount of \$47,919.88, due
to the erroneous inclusion
of Check #28451 in the calculation of net over-payment.
\$50,053.50 - \$2,134.62 =
\$47,918.88

				558,460.71	-558,460.71
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Summary OAG Adjustments

Number	Date	Name	Account No	Debit	Credit
15	12/31/2019	Accounts Payable	2000-00		-1,235.00
15	12/31/2019	Communications Expense	7476-00	1,235.00	
Re: Accrual for Inv.19-0622 { 1900 Christmas Cards - 1800 Envelopes Inserted and sealed). 16 December 2019					
16	12/31/2019	Accounts Payable	2000-00		-819.00
16	12/31/2019	Postage and Courier Service	7340-00	819.00	
17	12/31/2019	Audit Fee Payable	2000-05	17,000.00	
17	12/31/2019	Professional Fees - Audit	7200-00		-17,000.00
Re: Adjusting accrued audit fees for FY 2019 (\$87K to \$70K) to reflect OAG/PSPB Engagement Letter					
18	12/31/2019	Accrued Liabilities - Over 60s Benefits Paid - PSP Plan: 8000-05 .	2011-00	67,485.08	
18	12/31/2019	PSP Commutat	8000-00		-67,485.08
Re: Adjusting entry to bring Accrued Liabilities - Over 60's into balance with amended schedule as at 31st December 2019					
19	12/31/2019	Accum Depreciation - Furniture	1810-00		-778.71
19	12/31/2019	Leasehold Improvements	1830-00		-3,219.20
19	12/31/2019	Accum Depreciation - Computer	1850-00		-303.30
19	12/31/2019	Accum Depreciation - Office	1890-00		-198.30
19	12/31/2019	Depreciation Expense	7100-00	4,499.51	
Re: Leasehold Improvement - Cayman Brac depreciation expense for 6 months - FY 2019 Re: Furniture - Cayman Brac depreciation expense for 6 months - FY 2019 Re: Office Equipment (Cayman Brac) depreciation expense for period 6 months - FY 2019. Re: Computer Equipment - Cayman Brac depreciation expense for 6 months - FY 2019					

20	12/31/2019	Furniture & Fittings	1800-00	15,574.17	
20	12/31/2019	Leasehold improvements	1820-00	19,315.22	
20	12/31/2019	Computer Equipment	1840-00	3,033.00	
20	12/31/2019	Office Equipment	1880-00	1,983.00	
20	12/31/2019	Cayman Brac Office Expenses	7206-00		-39,905.39
(See "Cayman Brac Setup Expenses"					
in Fixed Assets for detail breakdown)					
				130,943.98	(130,943.98)

Appendix 2 – Summary of UNCORRECTED MISSTATEMENTS

Number	Date	Name	Account No	Debit	Credit
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Uncorrected misstatements were trivial.

APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<p>1. Lack of formal risk assessment policy</p> <p>There were no formal policies and procedures for identifying and responding to risk factors during the financial year end.</p> <p>However, it is acknowledged that PSPB has taken steps to have formal policies and procedures in place and completed the first phase of the risk and control assessment.</p>	<p>Implication:</p> <p>The absence of risk assessment procedures means that some controls may not be adequately designed to address those risks not identified.</p> <p>Recommendation:</p> <p>A robust risk assessment process should be put in place. It should be clearly outlined who is responsible for identification of risks, how often risk assessment is to be performed, how these are reported to those charged with governance and the process of what happens after a risk is identified such as the designing of controls to mitigate risk.</p>	<p>The work in this area has not progressed as previously envisioned. However, the CEO recognizing the critical nature of the role has taken the decision to hire an experienced risk management professional with proven pension industry experience to develop and support this program. Recruitment efforts to fill the position of Manager Risk Support was halted due to the COVID-19 pandemic crisis. Once the country reopens PSPB will be better positioned to resume the recruitment process and benefit from broader pool of candidates.</p>	

<p>2. Non Compliance with Public Authorities Law</p> <p>Board Fees The Board fees (<i>non-civil servants</i>) were increased during the prior financial year from \$250 per meeting to a fixed fee of \$1,000 per month and \$2,000 for the independent overseas trustee.</p> <p>Additionally, the Chairman of the Governance committee is paid \$3,000 per quarter and the new Chairman of the Board is paid \$4,000 per month.</p> <p>Although it was noted that new board fees are approved as part of the budget process; there was no evidence that Board Fees were approved by Cabinet in line with section 13 (1)(2) of the Public Authorities Law.</p> <p>This issue was also noted in the prior year with resolution ongoing.</p>	<p>Implication: There is non-compliance with the Public Authorities Law section 13 (1)(2).</p> <p>Recommendation: As PSPB falls under the Public Authorities Law which supersedes the PSPL in instances where there are variances between the two; PSPB should ensure its operations are in line with the Public Authorities Law.</p> <p>PSPB should review and address the non-compliance issues.</p>	<p>Agreed and steps being taken to bring PSPB in compliance with the Public Authorities Law.</p>
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