

18 October 2018

Acting Complaints Commissioner  
Office of the Complaints Commissioner  
3<sup>rd</sup> Floor Anderson Square, 64 Shedden Road  
P.O. Box 2252  
Grand Cayman, KY1-1107  
CAYMAN ISLANDS

Dear Mrs. Bridgette Lazzari-von Gerhardt:

**RE: Audit of 12 September 2017 financial statements**

**Purpose and use:** We have completed our audit of the 12 September 2017 financial statements of the Office of the Complaints Commissioner and have issued an unqualified opinion on those financial statements. In rendering my audit opinion on the financial statements I have relied on the work carried out on my behalf by a public accounting firm who performed their work in accordance with International Standards on Auditing.

Professional standards require that we communicate certain matters to those charged with governance of Office of the Complaints Commissioner. 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 (2015 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](http://www.auditorgeneral.gov.ky).

## AUDITORS RESPONSIBILITIES IN RELATION TO THE AUDIT

**Auditor's responsibility under International Standards on Auditing:** International Standards on Auditing 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 a governance interest which came to our attention as a result of the performance of our audit.

**Responsibilities of management and those charged with governance:** 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:** We have reviewed OCC's Annual Report for the year ending 12 September 2017 and have provided comments in a separate communication with management.

#### GENERAL APPROACH AND OVERALL SCOPE OF THE AUDIT:

The accounting firm applied a top-down, risk-based approach to planning and conducting the audit, through the application of well-reasoned professional judgment. They obtained an understanding of Office of the Complaints Commissioner's operations and the related risks, which drove our assessment of materiality and identification of audit risks, including significant risks, which are audit risks that require special audit considerations. They also obtained an understanding of how management controls these risks, by considering management's approach to internal controls, and determined how they will test significant account balances and classes of transactions.

The accounting firm's audit approach was a substantive audit approach; whereby they conducted substantive testing, on sample basis, of significant transactions and balances, and did limited testing of the operating effectiveness of controls.

#### AUDIT REPORT, SIGNIFICANT IDENTIFIED MISSTATEMENTS (BOTH RECORDED AND UNRECORDED) AND MANAGEMENT REPRESENTATIONS:

We have issued an unqualified audit opinion on the financial statements. There were no uncorrected misstatements identified by the accounting firm during the audit.

As part of the completion of our audit we seek written representations from management on aspects of the accounts and judgments and estimates made. Management has provided us with written representations in respect of our financial statement audit in a letter dated 30 April 2018.

#### SIGNIFICANT FINDINGS FROM THE AUDIT

**Going concern doubts:** In our audit opinion we drew attention to notes 1 and 2 of the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the *Ombudsman Law, 2017*, which resulted in the discontinuance of the Office of the Complaints Commissioner as a separate legal entity of the Cayman Islands Government.

**Significant accounting practices:** We are responsible for providing our views about qualitative aspects of Office of the Complaints Commissioner's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for Office of the Complaints Commissioner 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, except for the financial statements not being prepared on the going concern basis as described in the paragraph above. In addition we are not aware of any new or controversial accounting practices reflected in Office of the Complaints Commissioner's financial statements.

**Significant risks and exposures:** Significant risks and exposures are disclosed in the financial statement footnotes.

**Management's judgments and accounting estimates:** There were no matters which required management to make significant judgments or which required significant estimates.

**Significant deficiencies in internal control:** There two matters identified and communicated to us relating to internal controls by the accounting firm who carried out the audit on our behalf that need to be brought to management's attention. These matters are discussed in Appendix 1.

**Fraud or illegal acts:** 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.

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.

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

**Disagreements with management:** We have had no disagreements with management resulting from our audit.

**Other miscellaneous matters:** We are not aware of any consultations between management and other auditors about audit and accounting matters. We have no questions regarding management integrity. No serious difficulties were encountered in the performance of our audit. We are not aware of any impairment to our independence as auditors.

**Other engagement commitments:** There were no other specific matters agreed upon in the terms of our engagement.

If you would like to discuss the results of our audit or any other matters in further detail please feel free to call Mr. Garnet Harrison (345) 244-3213 or me at (345) 244-3201.

Yours sincerely,



Sue Winspear, CPFA  
Auditor General

## APPENDIX 1: MATTERS RELATING TO INTERNAL CONTROLS

In planning and performing our audit of the financial statements of the Office of the Complaints Commissioner as of and for the period ending 12 September 2017, we considered its internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control would not necessarily identify all matters relating to internal controls that might be significant deficiencies (or other deficiencies that are not significant deficiencies) in the design or in the operation of internal controls, as defined under International Standards on Auditing below:

ISA 265 “Communicating deficiencies in internal control to those charged with governance and management” includes the following definitions of a deficiency and a significant deficiency in internal control:

Deficiency in internal control – This exists when:

- (i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, a misstatement in the financial statements on a timely basis; or
- (ii) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing.

Significant deficiency in internal control – A deficiency or combination of deficiencies in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

We did identify one deficiency in internal control that we consider to be a significant deficiency, as defined above, which was “no period end bank reconciliation performed”. We noted other certain matters involving the system of internal control and its operation, and are submitting for your consideration related observations and recommendations designed to help the Office of the Complaints Commissioner to improve the system of internal control.

\* \* \* \*

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## APPENDIX 1: MATTERS RELATING TO INTERNAL CONTROLS

### DEFICIENCIES IN INTERNAL CONTROLS

#### 1. No period end bank reconciliation performed

- Observation: In the performance of the audit procedures, it was noted that no bank reconciliation had been performed by OCC for the period ended 12 September 2017.
- Potential effect: The absence of bank reconciliations and/or bank reconciliations not prepared in a timely manner can result in misstated financial reporting. Lack of bank reconciliations can also lead to misappropriation of cash which would go undetected.
- Recommendation: OCC prepare bank reconciliations throughout the period and at period end to ensure the cash balance is complete and accurate.
- Management Response: *The description of this alleged deficiency is somewhat deceptive. During the period under review, from 1 July 2016 to 12 September 2017, bank reconciliations were undertaken on a monthly basis, as documented and made available to the auditors. Only the final half month (from 1 -12 September 2017) before the dissolution of the Complaints Commissioner's Office (OCC) into the new Office of the Ombudsman no bank reconciliation was completed. The time for the dissolution of the OCC – which was announced 1 October 2017 – was changed at the last minute. At that time it was no longer possible to secure a bank reconciliation from the Treasury Department covering the half month.*

#### 2. No minutes of meetings held/no meeting held to discuss the performance of the OCC

- Observation: The audit team noted that no minutes of meetings/no meetings are documented/held for OCC in the current and prior periods.
- Potential effects: From a governance perspective, the lack of evidence of key decisions being made and approvals of transactions could result in matters being missed which could have a material impact on the financial statements.
- Recommendation: All key decisions on the performance of OCC, inclusive of the budgeting process be documented in the form of minutes of meetings.

Management response: *The OCC received regular account updates from the CFO, and held regular meetings on key operations throughout the period. All expenditures were approved, processed and documented in the standard manner. There were no extraordinary transactions made, in part in anticipation of the dissolution of the OCC and the merger into the new Office of the Ombudsman. It is unclear which “key decisions” are meant, or how they should have been documented, or what material impact the alleged deficiency had on the financial statements, that is not hypothetical.*