

30 May 2019

Portfolio of Legal Affairs
P.O. Box 104
Grand Cayman KY1-9000
CAYMAN ISLANDS

Dear Ms. Sharma:

RE: Audit of 31 December 2018 financial statements

Purpose and use: We have completed our audit of the 31 December 2018 financial statements of Portfolio of Legal Affairs (“the Portfolio”) and have issued an unqualified audit opinion. 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 the Portfolio. 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.

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 will review the Portfolio's Annual Report for the year ending 31 December 2018 and will provide 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 the Portfolio'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 was one uncorrected audit misstatement identified by the accounting firm during the audit, which relates to classification error in expenses between travel and subsistence and litigation costs – see Appendix 1 for further details. There were no corrected misstatements that were undertaken during the course of 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 2019.

SIGNIFICANT FINDINGS FROM THE AUDIT

Going concern doubts: 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 entity's ability to continue as a going concern.

Significant accounting practices: 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 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 Portfolio'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: Matters relating to internal controls identified as part of our audit and communicated to us by the accounting firm who carried out the audit on our behalf are communicated in Appendix 2.

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 the Deputy Auditor General, Mr. Garnet Harrison at (345) 244-3213 or me at (345) 244-3201.

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.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1: SUMMARY OF UNADJUSTED MISSTATEMENT

Company	Portfolio of Legal Affairs													
Summary of Uncorrected Audit Misstatements														
For Year Ended	12/31/2018													
	Amounts in				Currency unit									
	Method Used to Quantify Audit Misstatement Dual													
	Final Materiality				164,000									
Detailed instructions on automatically populating the audit misstatements from the Tracker are provided in "Instructions" Tab.														
Correcting Entry Required at Current Period End						Income Statement Effect - Debit(Credit)			Balance Sheet Effect - Debit (Credit)					
ID	Description of misstatement	Type of misstatement	Accounts	Debit	(Credit)	Income effect of correcting the balance sheet in prior period (carryforward from prior period)	Income effect according to Iron Curtain (Balance Sheet) method	Income effect according to Rollover (Income Statement) method	Equity	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	
				A		B	C=A (Only Income Statement accounts)	C-B						
AM1	This is a judgmental misstatement raised by the audit team for outstanding amounts from 2017. In some cases persons are no longer students of the law school and management's position is that a provision isn't required as the law school will not issue certificates until amounts are paid.	Judgemental	Provision for bad debt expense	0	(19,900)	0	0	0	0	(19,900)	0	0	0	
			Bad debt expense	19,900	0	0	19,900	19,900	19,900	0	0	0	0	
Aggregate effect of uncorrected audit misstatements (before tax):						0	19,900	19,900	19,900	(19,900)	0	0	0	
Aggregate effect of uncorrected audit misstatements (after tax):						0	19,900	19,900	19,900	(19,900)	0	0	0	
Financial statement amounts (per final financial statements) (after tax):							(305,000)	(305,000)	(2,290,000)	2,600,000	624,000	(934,000)	0	
Uncorrected audit misstatements as a percentage of financial statement amounts (after tax):							(6.52%)	(6.52%)	(0.87%)	(0.77%)	0.00%	0.00%	#DIV/0!	

APPENDIX 2: MATTERS RELATING TO INTERNAL CONTROLS

In planning and performing our audit of the financial statements of the Portfolio of Legal Affairs (“the Portfolio”) as of and for the year ended 31 December 2018, 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 not identify any deficiencies in internal control that we consider to be significant deficiencies, as defined above. However, we noted 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 Portfolio improve the system of internal control.

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APPENDIX 2: MATTERS RELATING TO INTERNAL CONTROLS (continued)

1. Service Agreement not signed in a timely manner

Observation:	The engagement team identified an instance where a service agreement for the period January 1, 2018 to December 31, 2018 had been signed and approved during the month of December 2018.
Potential effects:	<p>The lack of signed agreements in advance may lead to misunderstandings in the types of services to be provided to the client.</p> <p>This may cause work to be done that will not be paid for. In addition, the delay in the approval and agreement of terms can lead to inaccuracies in accounting for such transactions.</p> <p>The lack of signed agreements in advance leads to ineffective corporate governance.</p>
Recommendation:	Management ensures that all agreements are appropriately set out and agreed in a timely manner.
Management response:	<i>Management acknowledges and accepts the Auditor General's recommendation and will ensure that agreements are dealt with accordingly.</i>