

5 June 2020

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

Dear Ms. Sharma:

**RE: Audit of 31 December 2019 financial statements**

**Purpose and use:** We have completed our audit of the 31 December 2019 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 (2018 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 will review the Portfolio's Annual Report for the year ending 31 December 2019 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 – see Appendix 1 for further details. The accounting firm identified one corrected misstatement during the audit – see Appendix 2.

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 2020.

#### **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. They identified two significant deficiencies in internal control during their work and these are communicated in Appendix 3.

**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 Ms. Angela Cullen, Deputy Auditor General at (345) 244-3220 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**

<b>Description</b>	<b>Debit</b>	<b>Credit</b>
Receivables from Exchange Transactions		(18,748)
Bad Debt Expense	18,748	

*Judgemental misstatement in relation to outstanding amounts from 2018 for the Law School. The auditors believe that a provision should be established for all amounts due for more than 365 days.*

**APPENDIX 2: SUMMARY OF ADJUSTED MISSTATEMENT**

<b>Description</b>	<b>Debit</b>	<b>Credit</b>
Litigation Cost	41,660	
Other Payables and Accruals		(41,660)

*Adjustment for invoice paid post year end that was not accrued in to 2019.*

### APPENDIX 3: MATTERS RELATING TO INTERNAL CONTROLS

The following significant deficiencies in internal control were identified as part of the audit.

#### 1. Unrecorded liabilities

Description of control deficiency:	The engagement team identified an instance where management did not record all expenses and associated liabilities relating to litigation costs in the correct accounting period.
Potential effect:	This can result in the financial statements being materially misstated and not reflecting the true financial position and financial performance of the Entity.
Recommendation:	It is recommended that management implements a system whereby all costs incurred, especially at/around year end are appropriately accrued to reflect accurate financial reporting.
Management response:	Management accepts the recommendation.

#### 2. Inadequate maintenance of books and records and supporting documentation

Description of control deficiency:	The engagement team identified instances where management was not able to provide supporting documents for audit requests. This indicates the inadequate maintenance of books and records.
Potential effect:	In the event that supporting documentation cannot be provided, this may have an adverse effect on the audit report due to a limitation of scope. Inadequate books and records can also result in misstated financial statements as a proper audit trail is not available.
Recommendation:	It is recommended that management implements a system that ensures the entity to properly store and file supporting documentation.
Management response:	The items referred to above are historical in nature. We were unable to provide the historical information due to the fact that documentation is kept at an offsite storage facility which we were unable to access during the COVID situation. Management undertakes to review these items and clear where no longer valid.