MINISTRY OF FINANCE AND ECOMOMIC DEVELOPMENT

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

July 2026

To help the public service spend wisely

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. I have completed our audit of the 31 December 2025, financial statements of the *Ministry of Finance and Economic Development* (the *"Ministry"*). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Ministry in sufficient time to enable them to take 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 2025 financial statements that we consider 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 proactively release all final reports through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING (ISAs)

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 that came to our attention during the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 21 August 2025. 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 I have no responsibility to perform any audit work on other information, including forward-looking statements containing audited financial statements, we have read the other information contained in the Ministry's annual report and noted that it is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Ministry. We have not reviewed other documents containing the Ministry'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 Financial Secretary and Chief Officer and follow the requirements of the ISAs. I am not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. I have issued an *unmodified* audit opinion on the 31 December 2025 financial statements.

9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. A summary of unadjusted misstatements is attached in Appendix 2.

10. As part of the completion of our audit, I obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to me on 10 March 2026.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. I am responsible for providing my views about qualitative aspects of the Ministry's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

12. Generally accepted accounting principles provide for the Ministry to make accounting estimates and judgments about accounting policies and financial statement disclosures. I am, however, not aware of any new or controversial accounting practices reflected in the Ministry's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. Management has made judgments and estimates with regard to the following financial statement items:

- Depreciation based on useful lives of property, plant and equipment – **CI$64,224.60**

GOING CONCERN DOUBTS

14. As a result of our audit, I did not become aware of any events and conditions that may cast significant doubt on the *Ministry's* ability to continue as a going concern.

INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

15. Internal control matters and significant findings are noted in Appendix 3, along with management's response.

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts and regulations rests with both those charged with governance of the entity and with management. It is important that management, under the oversight of those charged with governance, places a strong emphasis on fraud prevention and deterrence.

17. They are also responsible for establishing and maintaining controls pertaining to the *Ministry'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. When exercising oversight responsibility, those charged with governance should consider the potential for management to override controls or exert other inappropriate influences over the financial reporting process.

18. As auditors, in planning and performing the audit, I am required to reduce audit risk to an acceptably low level, including the risk of undetected misstatements in the financial statements due to fraud.

19. However, I 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.

20. No fraud or illegal acts came to my attention as a result of the 2025 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

21. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

22. I have had no disagreements with management resulting from our audit.

ANY OTHER SIGNIFICANT MATTERS

23. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

24. I would like to express our thanks to the staff of the *Ministry of Finance and Economic Development* for their help and assistance during the audit of this year's financial statements. This enabled me to provide an audit report within the agreed timetable.

Yours Sincerely,

Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/ OAG)
1	Movement in Annual Leave	50150	15,850.00		OAG
	Long service Leave	22100		15,850.00	OAG
2	Debtor (due from other)	12404	15,850.00		OAG
	Outputs Sold to Cabinet	46001		15,850.00	OAG

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1	To record amounts in the bank that are not recorded in GL	14,258.16	(14,258.16)	0	0	0
	Understated	**14,258.16**	**(14,258.16)**	**0**	**0**	**0**

APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
Non-compliance with Acts and Regulations					
Inappropriate use of the direct procurement method. Section 5(1) of the procurement regulations sets out the circumstances in which the direct procurement process may be utilised. The Ministry used the direct procurement method to procure robotic process automation, relying on section 5(h) of the same regulations, which requires a demonstration that only one supplier can meet the requirements.	**Risk/ implication** Lack of value for money due to a lack of competition. **Recommendation** Management should encourage competition in the procurement of services, especially where providers can	N	Y	Management recognizes that the procurement process should have more clearly demonstrated compliance with Section 5(h) of the procurement regulations, particularly in documenting the justification for selecting the single supplier recommended through external expert advice. Going forward, Management will ensure	01 Jan 2026

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
There was no adequate demonstration to justify the direct award, seeing that the other four vendors were not formally evaluated.	supply the same/ similar services, to ensure value for money.			that where external experts identify a single technically viable solution, the supporting documentation clearly outlines the evaluation process, criteria applied, and rationale for concluding that only one supplier can meet the Ministry's needs.	
Delayed publication of contract award Section 19(1) of the Procurement regulations (2022 revised) requires an entity to publish a notice of award of the procurement contract on the website designated by the Central Procurement Office within thirty days of the entry into force of the contract.	**Risk/ implication** Lack of public transparency and accountability, potential for perception of impropriety, and non-compliance with regulatory obligations.	N	Y	Management accepts the recommendation.	11 Nov 2025

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
The Ministry obtained robotic process automation services for a one-year term, commencing on April 1, 2025. Publication of the contract award was made in November, eight months after the contract was awarded.	**Recommendation** Management should publish the contract awards timely in order to encourage interest and competition				
Non-compliance with contract review requirements Governance and Management circular 2 of 2022- CIG Guidance- Contracts and legal advice requires civil service entities to submit all contracts with a value greater than $10,000 to the Attorney General's Chambers (AGC) for review.	**Risk/ Implementation** Risk of entering into unfavourable contracts. Unfavourable contracts may result in losses, including budget overruns and higher-than-expected costs. They may also expose	**N**	**Y**	Management accepts the recommendation.	11 Nov 2025

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
The Ministry did not submit the Robotic Process Automation contract, valued at $81,237, to the AGC for review.	the entity to legal risks, such as lawsuits or penalties, if contractual obligations are not met. **Recommendation** Management should ensure that the AGC reviews all contracts subject to the contract review requirements before the Ministry signs them.				