



**MINISTRY OF BORDER CONTROL, LABOUR AND
CULTURE**

Report to those charged with governance on the 2023 audit

September 2024



*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 2023 financial statements of the Ministry of Border Control, Labour and Culture (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 appropriate action. The matters we are required to communicate under ISAs include:
 - auditor’s 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 2023 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 Act (2021 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.

AUDITOR’S 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 dated 13 September 2023, 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 audit work on other information, including forward looking statements containing audited financial statements, we read the other information contained in the Ministry'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 Ministry of Border Control and Labour. No unresolved exceptions were noted from our review.
7. We have not reviewed any other documents containing the Ministry's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

8. 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 Chief Officer 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

9. We issued an unmodified opinion in the Auditor General's report on the 2023 financial statements.
10. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The adjustments amounted to \$11.1 million (comprised of audit adjustments of \$10.7 million and client adjustments of \$472 thousand). There was one uncorrected misstatement. See Appendix 2.
11. As part of the completion of our audit we sought written representations from management on aspects of the accounts and judgments and estimates made. Management provided us with the written representations on 26 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

12. We are responsible for providing our views about qualitative aspects of the Ministry's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Ministry 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 Ministry's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. Management has made significant judgements and estimates with regards to the following financial statement items:
- provisions and contingent liabilities
 - depreciation and amortization of property and equipment and intangible assets respectively
 - provisions for expected credit losses.

GOING CONCERN DOUBTS

14. 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 Ministry's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

15. We considered internal controls for the purposes of designing our further audit procedures. While as auditors we do not to express an opinion on their operating effectiveness, we are required to report to those charged with governance significant deficiencies in internal control. See Appendix 3 for details, 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, 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.
17. 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.
18. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

19. No serious difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

20. No disagreements with management were noted during the audit.

ANY OTHER SIGNIFICANT MATTERS

21. As outlined in Note 1b of the financial statements, the Cabinet authorised two reallocations of funding from the Ministry under section 11(5) of the Public Management and Finance Act (2020 Revision) (PMFA). The reallocations reduced the Ministry's outputs and equity budgets by \$177,000 and \$557,500 respectively. A supplementary Appropriations Bill for the funding was not introduced in Parliament by 31 March 2024 as required by section 11(6) of the PMFA.
22. There were no other significant matters noted during the audit

ACKNOWLEDGEMENTS

23. We would like to express our thanks to the Ministry's staff for their help and assistance during the audit of 31 December 2023 financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours sincerely,



Winston Sobers,
Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

1. Audit Adjustments

Acc No	Acc Name	Debit	Credit
23400	Other Current Liabilities	63,650.00	
29701	Other Non-current Liabilities		63,650.00
	<i>To correct overstated short-term liability and understated long-term liability - Automated Border Control Kiosks</i>		
17020	Fixed Assets Mass Additions Clearing a/c	19,240.83	
17140	Other Plant & equipment		19,240.83
	<i>To reverse the cost of assets capitalized which were not in use</i>		
17145	Accumulated Depreciation Other Plant & equipment	106.87	
60012	Depreciation Other Plant and Equipment		106.87
	<i>To reverse the depreciation charge of the assets capitalized which were not in use</i>		
22106	Accrual -Annual Leave		38,832.22
50080	Government Pension Contribution	19,416.11	
50082	Pension Contribution - PPE Employ	19,416.11	
	<i>To adjust annual leave provision for pension payable</i>		
20150	Accruals - Other	127,685.9	
58604	Settlement of Case		127,685.9
	<i>To reverse excessive provision for legal cases</i>		
12501	Provision for Doubtful Debts (Trade)	419,658	
58505	Doubtful Debt Expense		419,658
	<i>To record DEC23 ADJ Provision per Expected Credit Loss calculation - IPSAS 41</i>		
23422	Surplus Payable	283,052.7	
32007	Surplus Repayment		283,052.7
	<i>Adjustment to surplus payable to reflect the net impact of correct audit misstatements</i>		
12501	Provision for Doubtful Debts (Trade)	4,856,405	
58505	Doubtful Debt Expense		4,856,405
	<i>To reverse expected credit losses on balances due from MFED that were paid subsequent to year-end</i>		
23422	Surplus Payable	4,856,405	
32007	Surplus Repayment		4,856,405

Acc No	Acc Name	Debit	Credit
	<i>To adjust Surplus Payable to reflect the reversal of the expected credit losses on the MFED accounts receivable paid after year-end</i>		
	Subtotal	10,665,036.52	10,665,036.52

2. Client Adjustments

Acc No	Acc Name	Debit	Credit
12009	Accrued Prepayments	30,655.99	
54351	Computer Software Maintenance		30,655.99
	<i>DEC 2023 Dell IDPA Support Renewal: 12-Month Term - 11.2023 to 10.2024 - PO # 74169 - Vendor Name - CREATIVE TECH LTD.</i>		
20332	Pensions Fund Payable	1,213.2	
50011	Basic Salary		1,213.2
	<i>Being pension Adjustment Nov-Dec23 due to staff retirement</i>		
32006	Prior Period Adjustments	45,459.5	
54351	Computer Software Maintenance		45,459.5
	<i>Being a prior year adjustment – Agreement for the Supply of an Automated Border Control Kiosk System Maintenance Services-Start of Contract Year 2 (May22-Apr23)</i>		
12009	Accrued Prepayments	27,677	
54351	Computer Software Maintenance		27,677
	<i>Being Dec 2023 Newgen annual technical support 1st January 2024 to 31st December 2024 PO#74065 – Creative Technology</i>		
20150	Accruals - Other		2,500
58604	Settlement of Case	2,500	
	<i>Being provision for Legal Liabilities</i>		
20150	Provision for Doubtful Debts (Trade)		364,012.9
12503	Provision for Doubtful Debts (Other)	364,012.9	
	<i>To reclassify Provision for Expected Credit Losses</i>		
	Subtotal	471,518.59	471,518.59
	TOTAL	11,136,555.11	11,136,555.11

APPENDIX 2 - SUMMARY OF UNCORRECTED MISSTATEMENTS

Acc No	Acc Name	Unrecorded – factual Debit/ Credit				
		Assets	Liabilities	Equity	Income	Expenses
17020	Fixed Assets Mass Additions Clearing –a/c	151,138	-	-	-	-
17070	Vehicles	(151,138)	-	-	-	-
	To reclassify assets which were capitalised but not in use - Multi-Vehicle trailers		-	-	-	-
	Understated/(Overstated)	-	-	-	-	-

APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response												
<p>1. Lack of supporting schedules for deposits in transit</p> <p>The balances in the table below were included in the bank reconciliations as deposits in transit. However, the Ministry did not provide us with schedules to support the balances.</p> <table border="1" data-bbox="254 621 932 781"> <thead> <tr> <th>Account number</th> <th>Currency</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>112-443-7</td> <td>KYD</td> <td>354,672.63</td> </tr> <tr> <td>262-526-7</td> <td>USD</td> <td>28,062.57</td> </tr> <tr> <td>Total</td> <td></td> <td>354,672.63</td> </tr> </tbody> </table>	Account number	Currency	Amount	112-443-7	KYD	354,672.63	262-526-7	USD	28,062.57	Total		354,672.63	<p>Risks/Implications:</p> <p>Cash and cash equivalents in the financial statements may be misstated due to fraud or error.</p> <p>Recommendation:</p> <p>Management should ensure all cash and bank balances are regularly reconciled to the general ledger. Any differences should be promptly investigated and resolved.</p>	<p><i>They items have since been actioned. The Ministry will ensure the support is addressed in the future.</i></p>
Account number	Currency	Amount												
112-443-7	KYD	354,672.63												
262-526-7	USD	28,062.57												
Total		354,672.63												
<p>2. <u>Non-compliance with the Procurement Act (2023 Revision) and Procurement Regulations (2022 Revision)</u></p> <p>Section 20(4) of the Regulations stipulates conditions under which an entity may disaggregate the procurement of a single project into smaller lots or constituent parts. Section 20(4) requires entities to include the recommendation to disaggregate procurements in a business case approved in line with the thresholds in the Regulations.</p> <p>In 2023, the Ministry acquired trailers for a total cost of \$151,000. \$96,000 of this cost was spent on the trailers, \$43,000 on shipping charges and the remainder on port fees. The business case for the procurement only considered the cost of the trailers, and not the shipping costs.</p>	<p>Risks/Implications:</p> <p>Unlikely to achieve value out of the public spending.</p> <p>Recommendation:</p> <p>Management should ensure that it follows the Regulations in disaggregating procurements into smaller lots or constituent parts.</p>	<p><i>The total cost associated with this procurement of CI is \$139,000, including shipping costs, which comfortably fall below the PPC threshold of \$250,000. Therefore, it is pertinent to note that there was no attempt or reason to circumvent the PPC process.</i></p> <p><i>The Ministry prepared a business case and followed standard processes by purchasing the trailers and subsequently arranging their shipment through a reputable freight forwarding company,</i></p>												

Observation	Risk/Implication and Recommendation	Management Response
<p>Including the shipping costs in the business case would have required the approval of the procurement from the Ministry's Entity Procurement Committee.</p> <p>There is no suggestion or representation that the Ministry deliberately circumvented the requirements of the Regulations.</p>		<p><i>leaving no room for doubt about our commitment to transparency.</i></p> <p><i>The shipping costs to Grand Cayman from the USA, which were finalized after the purchase, are a separate consideration. This means that the cost breakdown for the purchase of the trailers was not itemized separately in this instance, providing a clear understanding of how the total cost was calculated.</i></p> <p><i>In the U.S., it is customary for companies that sell vehicles or similar items not to handle their shipping outside of the U.S. This arrangement was similar to our procurement of this specialist equipment, unlike the Asian used vehicle market, which includes the cost of shipping vehicles directly to the Cayman Islands.</i></p>