



**MINISTRY OF DISTRICT ADMINISTRATION AND LANDS**

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**Report to those charged with governance on the 2023 audit**

**July 2024**

*To help the public  
service spend  
wisely*

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# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the financial statements of the Ministry of District Administration and Lands (the “Ministry”) for the year ended 31 December 2023. 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:
  - 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 Ministry’s financial statements 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) (“FOI Act”) 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

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.

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## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter to which the engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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## 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 will read the other information contained in the Ministry's annual report to consider whether such information is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Ministry. We have not reviewed any other documents containing Parliament'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 Chief Officer on 13 September 2023 and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

## AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. We have issued an unmodified auditor's report with an emphasis of matter paragraph on the 2023 financial statements. The paragraph highlights that the Cabinet authorised supplementary funding of about \$557 thousand for the Ministry under section 11(5) of the Public Management and Finance Act (2020 Revision) ("PMFA"). However, 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.
9. The Cabinet also authorised reallocations of funding worth \$1.9 million from the Ministry's equity funding budget to other Government entities. These reallocations were authorised under section 11(5) of the PMFA. A Supplementary Appropriations Bill for the reallocations was also not introduced in Parliament by 31 March 2024 as required by the PMFA.
10. Appendix 1 summarizes the misstatements identified during the audit that were corrected by management. The total value of these on the financial statements was about \$499,000.
11. Appendix 2 summarizes those uncorrected misstatements identified by us during the audit that management determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of these was about \$34,000.

12. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. Management provided us with the written representations on 30 April 2024.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

13. 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 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

14. Management has made significant judgments and estimates regards to the following financial statement items:

- Provisions and contingent liabilities.
- Impairment.
- Useful lives of property, plant and equipment and intangible assets.
- Provisions for expected credit losses.

### GOING CONCERN DOUBTS

15. 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 AND OTHER DEFICIENCIES IN INTERNAL CONTROL

16. We identified certain matters relating to the system of internal control we have deemed significant to the Ministry's operations, and are submitting for your consideration related observations and recommendations designed to help the Ministry improve its system of internal control. Details are included in Appendix 3.

17. There were no other internal control matters communicated separately to management.

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#### FRAUD OR ILLEGAL ACTS

18. 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.

19. 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 factors such 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 our attention as a result of our audit.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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#### DISAGREEMENTS WITH MANAGEMENT

22. There were no disagreements with management noted during the audit

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#### ANY OTHER SIGNIFICANT MATTERS

23. There is no other significant matter noted during the audit.

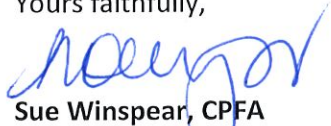
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#### **ACKNOWLEDGEMENTS**

24. We would like to express our thanks to the Ministry's staff for their help and assistance during the audit.



Yours faithfully,

  
Sue Winspear, CPFA  
Auditor General



## APPENDIX 1 – CORRECTED MISSTATEMENTS

Adjustments proposed by	Asset	Expenses	Liability	Revenue
Client	51,046	-	-	(51,046)
OAG	(79,223)	51,046	28,177	-
<b>Grand Total</b>	<b>(28,177)</b>	<b>51,046</b>	<b>28,177</b>	<b>(51,046)</b>

### Normal Adjustments

Number	Name	Account No	Debit	Credit	Adjustments proposed by:
1	Fixed Assets Mass Additions Clearing	17020		(52,744.00)	OAG
1	Accruals - Property Plant & Equipment	20153	52,744.00		OAG
	Reversal of transaction relating to technology equipment purchased but not received as at the year end.				
2	Accrued Prepayments	12009	32,363.09		OAG
2	Fixed Assets Mass Additions Clearing	17020		(32,363.09)	OAG
	Entry to reclassify GPS Rover from Work-in-progress to Prepayments as the item was not received as at the year end.				
3	Accrued Prepayments	12009		(42,115.27)	OAG
3	Maintenance - Other Equipment	54324	4,497.01		OAG
3	Maintenance - Roads	54329	19,095.13		OAG
3	Maintenance - Buildings	54316	18,523.13		OAG
	Entry to move from a transaction from Prepayment to Expenses as the product or service was received before year end.				
4	Accrued Prepayments	12009		(44,654.00)	OAG
4	Other Plant & equipment	17140	89,307.61		OAG
4	Accruals - Property Plant & Equipment	20153		(44,653.61)	OAG

Number	Name	Account No	Debit	Credit	Adjustments proposed by:
	Entry to move from a transaction from Prepayments to PPE as the asset was received before year end.				
5	Accumulated Depreciation Other	17145		(8,930.76)	OAG
5	Depreciation Other Plant and Equipment	60012	8,930.76		OAG
	Adjustment to recognize depreciation expense for asset received during the year.				
6	Accrued Prepayments	12009		(66,000.00)	OAG
6	Fixed Assets Mass Additions Clearing	17020	66,000.00		OAG
	Entry to reclass asset vehicle received during the year from Prepayments to its proper account (Work-In-Progress)				
7	Accrued Prepayments	12009		(20,086.30)	OAG
7	Accruals - Property Plant & Equipment	20153	20,086.30		OAG
	Entry to reverse transaction initially recorded as Prepayment, as no monies were paid.				
8	Debtor (due from other Ministries)	12404	51,046.03		Client
8	Outputs Sold to Cabinet (EXCO)	46001		(51,046.03)	Client
	Adjustment to record additional Output funding billed to Cabinet				
			<b>362,593.06</b>	<b>(362,593.06)</b>	

### Re-classifying Adjustments

<b>Number</b>	<b>Date</b>	<b>Name</b>	<b>Account No</b>	<b>Debit</b>	<b>Credit</b>	<b>Adjustments proposed by:</b>
1	12/31/2023	Fixed Assets Mass Additions Clearing	17020		(136,000.00)	OAG
1	12/31/2023	Vehicles	17070	136,000.00		OAG
		Entry to reclassify new vehicle from WIP to the Vehicles Fixed Assets A/C as the vehicle was in use.				
<b>Total Re-classifying Adjustments</b>				<b>136,000.00</b>	<b>(136,000.00)</b>	

## APPENDIX 2 – UNCORRECTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1	Invalid Accruals – March - November 2022	34,101.88	-	-	(34,101.88)	-
	<b>Understated/(Overstated)</b>	<b>34,101.88</b>	<b>-</b>	<b>-</b>	<b>(34,101.88)</b>	<b>-</b>

**APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS**

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
<p><b>1. <u>New Vehicles in Cayman Brac not insured and licensed</u></b></p> <p>During our audit, we noted that the Ministry used several new vehicles it owns for several months without having insured or licensed them. This contravenes section 3(1) of the Vehicle Insurance (Third Party Risk) Act (2012 Revision) (the Act) which makes it unlawful to operate a motor vehicle without third party insurance.</p> <p>Section 3(2) of the Act imposes a fine of two thousand dollars and imprisonment for three months for contravening section 3(1).</p>	<p><b>Risk/ Implication</b></p> <p>The Ministry’s staff are exposed to significant legal penalties for operating uninsured motor vehicles.</p> <p>In addition, the Ministry will suffer unnecessary financial loss in case of accidents.</p> <p><b>Recommendation</b></p> <p>The Ministry should ensure that all new vehicles are insured and licensed before it starts using them.</p>	<p>A few of the heavy-duty vehicles and equipment procured by District Administration were received later than anticipated. There was a combination of matters that affected the timing of when those assets were insured and licensed. Some of which included sitting for a long time in transit and fuel components becoming faulty. This was not discovered until the vehicles were put to use and tested. Four (4) of these heavy equipment and vehicles were affected by this. The mechanical issues were eventually rectified.</p> <p>Further delays in completing the insurance and licensing were due to delay in receiving final documentation from the Supplier indicating the title of the assets reflecting District Administration ownership.</p>	<p>May 31, 2024</p>

		<p>As at 30 May 2024, all vehicles and equipment were licensed and insured due to the receipt of all final documents and the items now being operational.</p> <p>The department’s internal procedures have been updated to include more robust measures in ensuring that newly acquired vehicles are fully registered and insured on a timely basis.</p>	
<p><b>2. <u>The Ministry did not submit its annual report for review within the statutory deadline</u></b></p> <p>Section 44(1) of the Public Management and Finance Act (2020 Revision) (PMFA) requires Government-owned entities to prepare and submit annual reports for the Auditor General’s review within two months after the end of each financial year. The Ministry did not submit its 2023 annual report by 29 February 2024 as required by the PMFA.</p>	<p><b>Risk/ Implication</b></p> <p>Non-compliance with the PMFA.</p> <p>Various stakeholders use financial reporting information to make decisions. Late submission of parts of the annual report may affect the timeliness of reporting to stakeholders thus affecting the timeliness of their decisions.</p> <p><b>Recommendation</b></p>	<p>The Ministry completed the draft financial statements and highlights which were submitted within the statutory timelines. This accounted for a substantial portion of the Annual Report, while the other commentaries were being compiled but were not in a published ready format.</p> <p>The Ministry will seek to have a comprehensive draft of the Annual</p>	<p>Q1, 2025</p>

	The Ministry should ensure that it submits its annual reports for review within the statutory deadline imposed by the PMFA.	Report available for audit review within the statutory timelines going forward beginning with the next submission in 2025.	
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