



MINISTRY OF DISTRICT ADMINISTRATION AND LANDS

Report to those charged with governance on the 2024 audit

July 2025

*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 financial statements of the Ministry of District Administration and Lands (the “Ministry”) for the year ended 31 December 2024. 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.

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.

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.

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 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 Chief Officer on 13 September 2024 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 on the 2024 financial statements.
9. 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 \$2,910,000.
10. 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.
11. 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 28 April 2025.

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 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 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

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 AND OTHER DEFICIENCIES IN INTERNAL CONTROL

15. 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.

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

FRAUD OR ILLEGAL ACTS

17. 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.
18. 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.
19. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

22. There is no other significant matter 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.

Yours faithfully,



Patrick O. Smith CPA, CFE
Auditor General

APPENDIX 1 – CORRECTED MISSTATEMENTS

Value of corrected misstatements to the financial statements

| Adjustments proposed by | Asset | Expenses | Liability | Equity |
|-------------------------|-------------------|--------------------|-------------------|---------------------|
| Client | 855,547.67 | | | (855,547.67) |
| OAG | (38,603.08) | (84,641.78) | 123,244.86 | |
| Grand Total | 816,944.59 | (84,641.78) | 123,244.86 | (855,547.67) |

Of the total adjustments of \$2,909,880, \$2,857,136 were normal adjustments whilst \$52,744 were reclassifying adjustments (journal entries that move an amount from one account to another within the same financial statement caption).

Normal Adjustments

| Number | Name | Account No | Adjustments proposed by | Debit | Credit |
|--------|---|------------|-------------------------|------------|--------------|
| 1 | Work/Construction in Progress | 17010 | OAG | 554,159.07 | |
| 1 | Accruals - Property Plant & Equipment | 20153 | OAG | | (554,159.07) |
| | Being entry to accrue for interim payment certificate relating to works performed on MDAL's Accommodation Block in December 31, 2024. | | | | |
| | | | | | |
| 2 | Work/Construction in Progress | 17010 | OAG | 255,338.55 | |
| 2 | Accruals - Property Plant & Equipment | 20153 | OAG | | (255,338.55) |
| | Being entry to accrue for interim payment certificate for 5% retention based on the value of works done as of December 31, 2024. | | | | |
| | | | | | |
| 3 | Construction in Progress Clearing | 17021 | OAG | 38,000.00 | |
| 3 | Accruals - Property Plant & Equipment | 20153 | OAG | | (38,000.00) |
| | To accrue for works relating to the removal and installation of Public Works Garage roof as of December 31, 2024 | | | | |
| | | | | | |
| 4 | Accumulated Depreciation Computer | 17115 | OAG | | (8,790.67) |
| 4 | Accumulated Depreciation Other | 17145 | OAG | | (6,859.84) |

| | | | | | |
|----|--|-------|--------|------------|--------------|
| 4 | Depreciation Computer Hardware | 60009 | OAG | 8,790.67 | |
| 4 | Depreciation Other Plant and Equipment | 60012 | OAG | 6,859.84 | |
| | Being entry to record depreciation of Computer Hardware and Other Plant & Equipment. | | | | |
| | | | | | |
| 5 | Debtor (due from other Ministries) | 12404 | Client | 855,547.67 | |
| 5 | Contributed Capital | 35001 | Client | | (855,547.67) |
| | Being entry to record EI 87 Funding Goods/services received December 2024 | | | | |
| | | | | | |
| 6 | Accounts Receivable - Sale of Goods | 12003 | OAG | | (162,397.59) |
| 6 | Accruals - Other | 20150 | OAG | 162,397.59 | |
| | Entry to reverse transactions relating to the Executive Branch that were erroneously included on the entity's books. | | | | |
| | | | | | |
| 7 | Debtor (due from other Ministries) | 12404 | OAG | | (649,999.66) |
| 7 | Trade Payables | 20100 | OAG | 649,999.66 | |
| | Entry to reverse transactions relating to the Executive Branch that were erroneously included on the entity's books. | | | | |
| | | | | | |
| 8 | Surplus Payable | 23422 | Client | | (92,322.05) |
| 8 | Surplus Repayment | 32007 | Client | 92,322.05 | |
| | To record surplus payable to Cabinet as at year-end of 2024. | | | | |
| | | | | | |
| 9 | Accrued Prepayments | 12009 | OAG | | (66,102.99) |
| 9 | Vehicles | 17070 | OAG | 8,050.05 | |
| 9 | Maintenance - Buildings | 54316 | OAG | 12,001.37 | |
| 9 | Maintenance - Other Equipment | 54324 | OAG | 27,944.45 | |
| 9 | Maintenance - Roads | 54329 | OAG | 12,051.68 | |
| 9 | Recreational Facilities | 54416 | OAG | 6,055.44 | |
| | Entry to expensing Prepayments that were no longer valid as the goods/services were received before the year end. | | | | |
| | | | | | |
| 10 | Creditor owed to Other Ministries | 23410 | OAG | 9,273.06 | |

| | | | | | |
|----|--|-------|-----|------------|-------------|
| 10 | Recruitment | 50071 | OAG | | (891.35) |
| 10 | Official Travel - Expense | 50224 | OAG | | (624.80) |
| 10 | Inter-Island Travel | 50225 | OAG | | (2,722.86) |
| 10 | Water | 51420 | OAG | | (4,311.65) |
| 10 | Freight and Shipping | 54300 | OAG | | (21.00) |
| 10 | Maintenance - Buildings | 54316 | OAG | | (693.00) |
| 10 | Maintenance - Vehicles and Equipment | 54334 | OAG | | (8.40) |
| | Being reversal of invalid accruals in account # 23410 - goods/services already paid before year end by Ministry. | | | | |
| | | | | | |
| 11 | Accruals - Other | 20150 | OAG | 158,345.23 | |
| 11 | Cleaning Materials | 50411 | OAG | | (3,294.97) |
| 11 | Hygiene/Sanitary Supplies | 50412 | OAG | | (8,485.00) |
| 11 | Food / Dietary Supplies | 50602 | OAG | | (17,640.93) |
| 11 | Uniforms | 50960 | OAG | | (3,732.50) |
| 11 | Vehicle Fuel and Oil | 50961 | OAG | | (5,672.60) |
| 11 | Paper and Printing Consumables | 50964 | OAG | | (1,484.00) |
| 11 | Office Supplies - Consumables | 51001 | OAG | | (523.92) |
| 11 | Printing - Other | 51051 | OAG | | (1,304.00) |
| 11 | Disaster Preparedness | 51075 | OAG | | (575.00) |
| 11 | Expensed (Attractive) Assets | 51086 | OAG | | (9,443.18) |
| 11 | Water | 51420 | OAG | | (650.00) |
| 11 | Data Communications Lines | 51460 | OAG | | (1,625.00) |
| 11 | Freight and Shipping | 54300 | OAG | | (3,676.10) |
| 11 | Janitorial Services | 54306 | OAG | | (5,020.00) |
| 11 | Maintenance - Fire Equipment | 54314 | OAG | | (3,029.60) |
| 11 | Maintenance - Buildings | 54316 | OAG | | (11,767.93) |
| 11 | Maintenance - Other Equipment | 54324 | OAG | | (10,706.00) |

| | | | | | |
|---------------------------------|--|-------|-----|---------------------|-----------------------|
| 11 | Maintenance - Cemeteries | 54325 | OAG | | (5,732.50) |
| 11 | Maintenance - Public Parks, Garden | 54326 | OAG | | (4,128.10) |
| 11 | Maintenance - Harbours and Channel | 54327 | OAG | | (3,075.97) |
| 11 | Maintenance - Vehicles and Equipment | 54334 | OAG | | (28,013.98) |
| 11 | Public Relations and Publicity | 54401 | OAG | | (7,528.76) |
| 11 | Recreational Facilities | 54416 | OAG | | (11,217.02) |
| 11 | Cayman Brac Tourism Development | 54426 | OAG | | (744.00) |
| 11 | Miscellaneous | 54428 | OAG | | (4,692.15) |
| 11 | Sports Development Programmes | 54453 | OAG | | (564.00) |
| 11 | Vehicle Licensing / Inspection | 54457 | OAG | | (1,925.00) |
| 11 | Miscellaneous Other | 54915 | OAG | | (1,406.00) |
| 11 | Programme Support Services | 54980 | OAG | | (687.02) |
| | Being reversal of invalid accruals in account # 20150 - goods/services already paid before year end by Ministry. | | | | |
| Total Normal Adjustments | | | | 2,857,136.38 | (2,857,136.38) |

Re-classifying Adjustments

| Number | Date | Name | Account No | Adjustments proposed by | Debit | Credit |
|---|------------|--|------------|-------------------------|------------------|--------------------|
| 1 | 12/31/2024 | Fixed Assets Mass Additions Clearing | 17020 | OAG | | (17,906.08) |
| | 12/31/2024 | Construction in Progress Clearing | 17021 | OAG | | (34,837.92) |
| | 12/31/2024 | Computer Hardware | 17110 | OAG | 52,744.00 | |
| Total Re-classifying Adjustments | | Being entry to transfer Computer hardware equipment from Work-In-Progress to Fixed Assets as the equipment were placed in use. | | | 52,744.00 | (52,744.00) |

| | | |
|--|---------------------|-----------------------|
| Total Corrected audit adjustments | 2,909,880.38 | (2,909,880.38) |
|--|---------------------|-----------------------|

APPENDIX 2 – UNCORRECTED MISSTATEMENTS

| No. | Account No | Name | Description | Assets | Liabilities | Equity | Income | Expenses |
|-----|------------|---|--|-----------------|---------------|-----------------|---------------|---------------|
| 1 | 58505 | Doubtful debts expenses | Uncorrected adjustment relating to differences with ECL provision calculations | | | | | 24,782 |
| 1 | 12501 | Provision for Doubtful Debts | | (24,782) | | | | |
| 2 | 17075 | Accumulated Depreciation Vehicle | Difference in accumulated depreciation between the fixed assets register and the trial balance | 3,845 | | | | |
| 2 | 17145 | Accumulated Depreciation Other | | 14,168 | | | | |
| 2 | 60005 | Depreciation Vehicles | | | | | | (3,845) |
| 2 | 60009 | Depreciation Computer Hardware | | | | | | (14,168) |
| 3 | 12009 | Accrued Prepayments | Unaccrued portion of 1 year license for HPE SUPPORT RENEWAL 2024 | 20,913 | | | | |
| 3 | 20150 | Accruals - Other | | | (20,913) | | | |
| 4 | 12404 | Debtor (due from other Ministries) | Being entry to reverse net surplus due to overstatement of outputs revenue. | (92,324) | | | | |
| 4 | 23422 | Surplus Payable | | | 92,324 | | | |
| 4 | 32007 | Surplus Repayment | | | | (92,324) | | |
| 4 | 46001 | Outputs Sold to Cabinet (EXCO) | | | | | 92,324 | |
| 5 | 13201 | Other Inventories for use within the Ministry | Being entry to record inventory count discrepancy for December 2024 Inventory count. | (19,833) | | | | |
| 5 | 59009 | Impairment of inventory - Entity | | | | | | 19,833 |
| | | Understated/(Overstated) | | (98,013) | 71,411 | (92,324) | 92,324 | 26,602 |

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

| Observations | Risks/Implications & Recommendations | Management Response | Implementation Date |
|---|--|---|---------------------|
| <p>1. <u>Lack of timely clearance of Accruals and Prepayments relating to the District Administration Department (DAD)</u></p> <p>During our review of the Accruals and Prepayment schedules, we identified several long-standing transactions. After further investigation, the Ministry confirmed that these transactions were not valid Accruals and Prepayments, as the Ministry had already paid for the goods/services (Accruals) and received the goods/services (Prepayments). As a result, these transactions were reversed, leading to corrected audit misstatements of \$167,618.29 (Accruals) and \$66,102.99 (Prepayments).</p> | <p>Risk/ Implication</p> <p>Failure to clear accruals and prepayments in a timely manner increases the risk of material misstatement as outdated balances may no longer reflect valid Accruals and Prepayments.</p> <p>Recommendations</p> <p>The Ministry should clear DAD-related Accruals in the month payments are made and Prepayments in the month goods or services are received. This practice will help prevent the accumulation of invalid Accruals and Prepayments.</p> | <p>DAD acknowledges the observation regarding the need for improvements in the clearance of accruals and prepayments. To prevent a recurrence, the department has strengthened its financial oversight with the filling a key senior finance role to enhance its review and reporting capacity. Additional steps include clearly assigned responsibilities, ongoing training and refresher sessions in Q2/Q3 2025, and the use of checklists and automated reminders.</p> | <p>Q3, 2025</p> |