

**MINISTRY OF FINANCE AND ECONOMIC  
DEVELOPMENT**

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

**June 2024**

*To help the Public  
Service spend  
wisely*

# TABLE OF CONTENTS

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<b>Introduction .....</b>	<b>1</b>
<b>Auditor’s Responsibilities in Relation to the Audit .....</b>	<b>1</b>
Auditor’s responsibility under International Standards on Auditing.....	1
Responsibilities of Management and those charged with governance .....	2
Other information in documents containing audited financial statements.....	2
<b>Conduct, APPROACH AND OVERALL SCOPE OF THE AUDIT .....</b>	<b>2</b>
<b>Audit report, adjustments and management representations .....</b>	<b>2</b>
<b>SIGNIFICANT FINDINGS FROM THE AUDIT .....</b>	<b>2</b>
Significant accounting practices .....	2
Management’s judgments and accounting estimates.....	3
Going concern.....	3
SIGNIFICANT DEFICIENCIES in internal control.....	3
Fraud or illegal acts.....	3
Significant Difficulties encountered during the course of our audit .....	4
Disagreements with management.....	4
Any Other significant matters.....	4
<b>Acknowledgements .....</b>	<b>4</b>
<b>Appendix 1 – Summary of corrected Misstatements .....</b>	<b>5</b>
<b>Appendix 1 – Summary of corrected Misstatements (CONTINUED) .....</b>	<b>6</b>
<b>Appendix 2 - Internal Control Matters &amp; significant findings .....</b>	<b>7</b>

# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the 31 December 2023 financial statements of the Ministry of Finance & 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 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; and
  - 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](http://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.

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## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. 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.

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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 inconsistent with information appearing in the financial statements or our knowledge of the Ministry's operations. 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 2023, and follow the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

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## AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. We have issued an unmodified auditor's report on the financial statements.
9. A total of 7 adjustments with a gross impact of \$64 thousand were identified and corrected during the audit. A summary of audit adjustments made to the financial statements is attached in Appendix 1.
10. No uncorrected misstatements or adjustments were arising from the audit.
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 representations in respect of our financial statement audit.

## SIGNIFICANT FINDINGS FROM THE AUDIT

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## 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 the 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.

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#### MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

- Depreciation of Property, Plant and Equipment
- Expected Credit Loss allowances

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#### GOING CONCERN

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.

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#### 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. We identified significant matters relating to internal controls as part of our audit. See Appendix 2 for details, along with Management's response.

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#### FRAUD OR ILLEGAL ACTS

16. 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.

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 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.

18. 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

19. No significant difficulties were encountered during the course of our audit.

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DISAGREEMENTS WITH MANAGEMENT

20. There were no disagreements with Management that were noted during the audit.

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ANY OTHER SIGNIFICANT MATTERS

21. No other significant matters were noted during the audit.

**ACKNOWLEDGEMENTS**

22. We would like to express our thanks to the Ministry's staff for their help and assistance during the audit of this year's financial statements.

Yours sincerely,



**Sue Winspear, CPFA**  
Auditor General

## APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

### Audit Adjustments

OAG proposed one audit adjustment with a gross amount of KYD 10,884.

Number	Account No	Account Name	Debit	Credit
1	20150	Accruals - Other		(10,884)
1	55506	Financial Attest Ser	10,884	
		<i>To correct under accrual of 2023 EPS audit fees</i>		
<b>Sub-total</b>			<b>10,884</b>	<b>(10,884)</b>



## APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS (CONTINUED)

### Client Adjustments

Six client adjustments with a gross amount of KYD 52,998.

Number	Account No	Account Name	Debit	Credit
2	17070	Vehicles		(11,156)
2	17075	Accumulated Deprecia	11,156	
		<i>Client Post TB adjustment: Cayman Brac vehicle disposal (To record POS Disposal)</i>		
3	10301	KYD-CM-Confirmations		(26,731)
3	23410	Creditor owed to Oth	26,731	
		<i>Client post TB adjustment: remittance to Executive (other creditors)</i>		
4	12012	Other Receivables	1,500	
4	50031	Duty Allowance		(1,500)
		<i>Client adjustment: To reallocate cost- NP duty allowance and Dec 2023</i>		
5	22100	Long service leave a		(1,384)
5	50150	Movement in Annual L	1,384	
		<i>Client adjustment: To accrue 2023 TW(5.5 days vacation)</i>		
6	22105	Comp Time Liability		(730)
6	50155	Comp Time Expense	730	
		<i>Client adjustment: To accrue 2023 TW (2.9 days COMP time)</i>		
7	12404	Debtor (due from oth	11,497	
7	46001	Outputs Sold to Cabi		(11,497)
		<i>To record receivable from Cabinet (net of all P&amp;L adjustments)</i>		
<b>Sub-total</b>			<b>52,998</b>	<b>(52,998)</b>
<b>Grand-total</b>			<b>63,882</b>	<b>(63,882)</b>

**APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS**

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<b>REITERATION FROM THE PRIOR YEAR</b>			
<p><b>Long Outstanding Receivable Balance</b></p> <p>As of 31 December 2023, the total outstanding receivables for Mail Terminal Dues amounted to \$674 thousand, which is slightly more than the prior year (\$552 thousand). Of this, \$380 thousand (56%) relates to 2017-2022 receivables.</p> <p>During the audit, it was revealed that, to date, no overseas postal office has refused to pay these outstanding receivables.</p> <p>All invoices up to 31 December 2022 have been sent to the overseas postal offices. However, it's important to note that 2023 invoices have not yet been issued, as is the standard practice, with issuance typically occurring in July of the following year.</p>	<p><b>Risks/Implication:</b></p> <p>Long outstanding receivables increase the likelihood that the balance is uncollectible and potential disputes arise over the outstanding amount.</p> <p><b>Recommendation:</b></p> <p>Management should implement robust controls to ensure that the overseas postal offices are invoiced in a timely manner and outstanding amounts are collected.</p>	<p>Accepted.</p> <p>For several years preceding this finding, Postal Service Management attempted to get finance procedures documented and supporting controls in place; this also applied to IMA procedures. Various remediation actions taken include those detailed below.</p> <p>SITUATION AS AT JUNE 2024: Management has been advised that of the \$380 thousand cited as outstanding receivables, \$280 thousand has been collected. For the 2022 invoices, several postal administrations have already settled including – USA, Great Britain, Canada, Switzerland, Ireland, Germany. Follow-up</p>	

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		<p>with the remaining postal administrations is ongoing.</p> <p>A written procedure for IMA processes is a performance objective in the Assistant Finance Manager's (Acting Finance Manager) 2024 performance agreement. Completion deadline is 30 June 2024.</p> <p>Crossing training between the International Accounts, AR and AP officers was added as a performance objective in their respective 2024 performance agreements. Cross training commenced in April 2024. It is intended that within their respective roles, the AP and AR officers will have more active duties with IMA payables and receivables.</p> <p>The 2023 accounts are undergoing the verification process prior to the invoices</p>	<p>March 2024</p> <p>April 2024</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
		being issued to the respective postal administrations.	