



**MINISTRY OF FINANCE AND ECONOMIC
DEVELOPMENT**

**Report to those charged with governance on the 2024 Financial
Statement audit**

April 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 31 December 2024 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 2024 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 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 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 2024, 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

8. We have issued an unmodified auditor's report on the financial statements.
9. During the audit, two client audit adjustments with a gross impact of \$15 thousand were identified and corrected. 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

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.

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

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.

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.

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.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

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,



Patrick O. Smith

Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Client Adjustments

Two client adjustments with a gross amount of KYD 15,000.

Number	Date	Name	Debit	Credit
1	12/31/2024	Other Receivables	7,500	
1	12/31/2024	Duty Allowance		(7,500)
		<i>Client adjustment: To reallocate cost- FS duty allowance in December 2024 to Ministry of Health</i>		
2	12/31/2024	Debtor (due from others)		(7,500)
2	12/31/2024	Outputs Sold to Cabinet	7,500	
		<i>Client adjustment: To reduce receivable from Cabinet (net of all P&L adjustments)</i>		
Grand-total			15,000	(15,000)

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
REITERATION FROM THE PRIOR YEAR			
<p>Long Outstanding Receivable Balance</p> <p>As of 31 December 2024, the total outstanding receivables for Mail Terminal Dues amounted to \$220 thousand, which is significantly less than the prior year (\$674 thousand). 100% of this amount relates to 2017-2023 receivables.</p> <p>There are no additional receivables in 2024 as the Postal Office transferred out of MFED effective 1 January 2024. Collection efforts are now under the Postal's new Ministry.</p>	<p>Risks/Implication:</p> <p>Long outstanding receivables increase the likelihood that the balance is uncollectible and potential disputes arise over the outstanding amount.</p> <p>Recommendation:</p> <p>Since collection efforts are now under the new ministry, and the outstanding receivables relate to MFED's period of responsibility, MFED should actively follow up with the new Ministry in writing to ensure collection progress until the balances are fully recovered. If disputes arise and recovery is deemed improbable, MFED should perform a formal assessment for potential write-offs, ensuring compliance with IPSAS 41 (Financial Instruments) and Government financial policies.</p>	<p>Management accepts the recommendation.</p> <p>This practice is in alignment with Management's current approach, as similar measures are already being undertaken. Therefore, while this recommendation highlights a valid course of action, it represents a continuation of existing procedures rather than the initiation of a new one.</p>	<p>In place from last year (2024).</p>