MINISTRY OF FINANCIAL SERVICES AND COMMERCE

Report to those charged with governance on the 2024 audit

September 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 Financial Services and Commerce (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 (2020 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 2024, 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 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, was outlined in the Engagement Letter presented to the Chief Officer and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an unmodified audit opinion with an emphasis of matter on the 2024 financial statements which reads as follows: As outlined in Note 18 of the financial statements, the Cabinet of Ministers authorised supplementary appropriations for the Ministry under section 12 of the Public Management and Finance Act (PMFA) in 2024. The impact of this was an increase of $586,000 and $500,000 in the operation and capital expenditure budgets of the Ministry, respectively. A Supplementary Appropriations Bill for the reallocation was not introduced in Parliament by 31 March 2025 as required by section 12(3) of the PMFA. My opinion is not qualified with respect to this matter.

9. A summary of audit adjustments made to the financial statements is attached in **Appendix 1**. Corrected misstatements amount to $299,838. There were no uncorrected misstatements arising from the audit.

10. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on 4 April 2025.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. 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, however, not aware of any new or controversial accounting practices reflected in the Ministry's financial statements.

12. Details of any significant findings from the audit are included in **Appendix 2** along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

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

    - Depreciation of property, plant and equipment for $77k.
    - Amortisation of intangible assets – CI$72k
    - Provision of doubtful debts/Expected Credit Loss - Nil

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 a number of significant and other matters relating to internal controls as part of our audit. Details are included in **Appendix 2** 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 Ministry'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, as factors such as the use of judgment, testing, 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, may affect our ability to detect them.

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. We have had no disagreements with management resulting from our audit.

ANY OTHER SIGNIFICANT MATTERS

21. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

22. We would like to express our thanks to the staff of the Ministry of Financial Services and Commerce for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within the agreed timetable.

Yours sincerely,

Patrick Smith, CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF AUDIT MISSTATEMENTS

Number	Name	Account No	Debit	Credit
1	Other Receivables	12012	600	
1	Lease of Sites or Building	58001		600
To correct Caybrac rent paid twice in December 2024				
2	Prior Period Adjustments	32006	7,657	
2	Accrued Prepayments	12009		7,657
To reverse entries posted in error				
3	Software Licensing Fees	54352	11,335	
3	Accrued Prepayments	12009		11,335
To expense portion of 2024 prepayment of KirkISS invoice #2029137				
4	Provision for Doubtful Debt	12503	176,265	
4	Accounts Receivable	12003		174,996
4	Prior Period Adjustment	32006		1,269
To write-off long outstanding receivables				
5	Surplus Repayment	32007	31,662	
5	Surplus Payable	23422		31,662
To adjust surplus payable with adjustments posted.				
6	Surplus Repayment	32007	72,318	
6	Surplus Payable	23422		72,318
To recognize prior year adjustments in current surplus repayment.				
Total			**299,838**	**299,838**

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
1. Non-compliance with the Procurement Regulations (2022 Revision). **<u>No evidence of tendering and Public Procurement Committee approval for Brac Informatics contract (Recurring)</u>** As per management communication in 2023, it was noted that the current agreement with Brac Informatics was under review. However, during our audit, we observed that there is still no evidence of tendering or PPC approval for the Brac Informatics contract. As mentioned in the prior year, the Brac Informatics contract predates the Procurement Regulation, having last been procured more than 13 years ago. In 2024, the Ministry spent $3.6million on the contract ($3.1 million in 2023).	**Risk/Implication:** By not regularizing this contract according to the procurement regulation, there is a possibility of the Ministry is not getting value for money from this contract. **Recommendation:** Management should ensure that the PPC approves all purchases above the $250,000 threshold. Management should publish all contracts awarded to the Bonfire website within the timelines stipulated in the Procurement Regulations.	The contract with Brac Informatics predates the Procurement Act and Regulations. The current arrangement is being reviewed, however, given the complexity of the system, this is a lengthy process to address a critical system that underpins the operation of the financial services industry. For any add-ons to the original contract direct awards were put in place in 2024. Management acknowledges the second point and commits to ensuring that all future awards are updated on Bonfire going forward.	Q4 2025 Q2 2025

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
<u>No evidence of publishing a direct award</u> There is no evidence of the publication of a direct award contract with a total value of $76,608 (PPC-2020-FSHA-010-DA) for Data Suite/Rackspace on the Bonfire website. In accordance with the Procurement Regulations (2022), the entity must publish a notice of the award of the procurement contract on the website designated by the Central Procurement Office within thirty days of the contract's entry into force.			
2. No valid lease agreements for renewed leases. During the audit, we observed that the lease agreement between Mini Warehouse and the Ministry was last updated in 2015. Additionally, we also noted that the actual payments made during 2024 were higher than the contract price.	**Risk/Implication:** Without a valid lease, rights and obligations are less clearly defined, which can lead to complications in enforcing lease-specific terms, such as rent increases, maintenance duties, or penalties for damages. The interests of the Ministry could be at risk if a legal dispute arises over the terms of the lease agreements.	The contract with Mini Warehouse has been in existence for many years and the landlord is unable to find a fully executed copy of the agreement. Our Ministry will be undertaking a procurement exercise to regularize this rental arrangement. There was a previously existing lease for the DCI office in Cayman Brac with Tasha Eden and the property was sold to Mr. Srinivasan Allvin who has opted to do a month to month arrangement. We have since been made aware	Q4 2025

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
There was also no valid lease agreement for the new lease with Srinivasan Allvin, with a total annual cost of $18,000. This was for the rental of an office in the Registration Section, Cayman Brac Central, for the Department of Commerce (DCI).	**Recommendations:** Management should ensure that the Ministry maintains valid lease agreements. Management should ensure that lease agreements are renewed upon expiration or initiate a new procurement process to secure new leases.	of various issues with the office that has made it untenable for us to continue to occupy this space therefore Lands and Survey Department is currently actively seeking alternate accommodations for DCI.	