



MINISTRY OF TOURISM AND PORTS

Report to those charged with governance on the 2023 audit

June 2024

***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 year ended 31 December 2023 financial statements of the Ministry of Tourism & Ports (the “Ministry”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Ministry of Tourism & Ports 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 financial statements that we consider 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 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 and signed on 15th September 2023 and follow 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 issued an unmodified auditor's report on the financial statements for the year ended 31 December 2023.
9. A summary of misstatements totaling \$1,610k corrected by management is attached in Appendix 1. Appendix 2 summarizes those uncorrected misstatements totaling \$16k, which were identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
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. Management has provided us with written representations dated 30th April 2024 in respect of our financial statement audit.

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 not aware of any areas where the significant accounting practices have changed from the previous year or are not consistent with general industry practice. We are not aware of any new or controversial accounting practices reflected in the Ministry's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. Management has made significant judgements and estimates with regard to the following financial statement items:
- Depreciation of Property, Plant and Equipment - \$80K
 - Impairment of Intangible assets - \$3K
 - Impairment of prepayment - \$25K

GOING CONCERN DOUBTS

13. 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

14. We identified a number of significant matters relating to internal controls as part of our audit. Details are included in Appendix 3, along with management's response. Significant deficiencies identified during our audit are noted in Appendix 3, along with management's response. Other internal control deficiencies are reported separately to management.

FRAUD OR ILLEGAL ACTS

15. 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.

16. 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 such factors 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.
17. No fraud or illegal acts came to our attention as a result of our audit, except for what has been disclosed by management.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

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

ACKNOWLEDGEMENTS

21. We would like to express our thanks to the staff of the Ministry of Tourism & Ports for their help and assistance during the audit of this year's financial statements, which enabled us to complete the audit by the statutory timeline.

Yours sincerely,



Sue Winspear, CPFA

Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

Number	Date	Name	Account No	Debit	Credit	Misstatement identified by	
1	31/12/2023	Computer Hardware	17110		-11,047.21	OAG	
1	31/12/2023	Accumulated Depreciation Computer	17115	11,047.21			
		To correct understatement of retired assets.					
3	31/12/2023	Expense AP Accrual (System Only	20160	125,362.38		OAG	
3	31/12/2023	Miscellaneous Other	54915		-125,362.38		
		To correct overstatement of payables					
5	31/12/2023	Surplus Payable	23422		-1,246,628.98	Client	
5	31/12/2023	Surplus Repayment	32007	1,246,628.98			
		Surplus repayment for 2023					
7	31/12/2023	Marketing Services	54419		-75,851.99	OAG	
7	31/12/2023	Miscellaneous Other	54915	75,851.99			
		Reversal of prepayments expensed in the Marketing expense account					
9	31/12/2023	Accruals - Other	20150	210.00		Client	
9	31/12/2023	Accruals - Other	20150	1,500.00			
9	31/12/2023	Accruals - Other	20150	80.00			
9	31/12/2023	Accruals - Other	20150	137.18			
9	31/12/2023	Accruals - Other	20150	12.90			
9	31/12/2023	Accruals - Other	20150	63.47			
9	31/12/2023	Accruals - Other	20150	466.89			
9	31/12/2023	Accruals - Other	20150	547.84			
9	31/12/2023	Accruals - Other	20150	550.00			
9	31/12/2023	Accruals - Other	20150	1,563.41			
9	31/12/2023	Accruals - Other	20150	2,099.00			
9	31/12/2023	Accruals - Other	20150	2,667.02			
9	31/12/2023	Accruals - Other	20150	3,214.22			
9	31/12/2023	Accruals - Other	20150	5,000.00			
9	31/12/2023	Accruals - Other	20150	6,000.00			
9	31/12/2023	Accruals - Other	20150	14,862.40			
9	31/12/2023	Accruals - Other	20150		-29,402.64		
9	31/12/2023	Accruals - Other	20150		-35,803.13		
9	31/12/2023	Accruals - Other	20150	46,950.00			

9	31/12/2023	Workers Benefits	50019		-547.84
9	31/12/2023	Recruitment	50071		-210.00
9	31/12/2023	Uniforms	50960		-3,214.22
9	31/12/2023	Advertising	54211		-137.18
9	31/12/2023	Advertising	54211		-5,000.00
9	31/12/2023	Advertising	54211	29,402.64	
9	31/12/2023	Collateral and Photography	54225		-80.00
9	31/12/2023	Local Promotion /			
9	31/12/2023	Community Sp	54308		-6,000.00
9	31/12/2023	Programme Services	54400		-63.47
9	31/12/2023	Programme Services	54400		-2,667.02
9	31/12/2023	Trade and Industry			
9	31/12/2023	Promotion	54404		-1,563.41
9	31/12/2023	Marketing Services	54419		-466.89
9	31/12/2023	Marketing Services	54419		-550.00
9	31/12/2023	Local Public Relations	54422		-1,500.00
9	31/12/2023	Special Projects	54444		-12.90
9	31/12/2023	Special Projects	54444		-2,099.00
9	31/12/2023	Special Projects	54444		-14,862.40
9	31/12/2023	Other Training	54935		-46,950.00
9	31/12/2023	Research and Development	55005	35,803.13	
		Reversal of Dec 2022			
		transactions			
				1,610,020.66	-1,610,020.66

APPENDIX 2 – SUMMARY OF UNADJUSTED DIFFERENCES

Number	Date	Name	Account No	Debit	Credit	Misstatement identified by
8	31/12/2023	Stale Dated Cheques - Write Bac	20383	16,111.80		OAG
8	31/12/2023	Miscellaneous Other	54915		-16,111.80	
		To correct difference in stale cheques				
				16,111.80	-16,111.80	

APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation date
<p>1. Lack of formal annual contract performance reviews for marketing services The Ministry did not undertake formal annual performance reviews for vendors providing marketing services. We noted that Management performed contract reviews through tracking contract deliverables, however, these were not formally documented.</p>	<p>Risk/ Implication Gaps in contract performance may not be adequately tracked by the Ministry. There is a risk that the Ministry may not achieve effective service delivery.</p> <p>Recommendation Management should formalize the contract performance reviews to enhance contract monitoring and achieve value for money.</p>	<p>CIDOT performs performance reviews for all agencies.</p> <p>We conduct annual reviews based on the contract terms dates of each specific agreement.</p> <p>CIDOT will formalize the review process to ensure there is standardized documentation.</p>	<p>December 31, 2024</p>
<p>2. Inadequate oversight of Payroll service organizations. The Ministry uses three payroll services organizations to prepare payroll for staff in overseas offices in the USA, UK and Canada, whose duties</p>	<p>Risk/ Implication Payroll service organizations may not comply with regulations of the respective jurisdictions and Cayman Islands regulations, such as Data protection.</p>	<p>CIDOT Head Office (GCM) does not review payroll activity conducted by the overseas payroll agencies prior to payment to employees. The agencies were contracted based on their payroll services expertise in the respective markets. Their expertise</p>	<p>December 31, 2024</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation date
<p>include the computation of salaries, workers' benefits and insurance payments. However, the Ministry does not have documented internal controls to oversee the work of these organizations.</p>	<p>Recommendation Management should ensure that the Ministry develops procedures to oversee the work of payroll service organizations to ensure compliance Cayman Islands and overseas regulations.</p>	<p>would include but are not limited to tax applications/deductions and other relevant law/ regulation specific services. There are however steps taken by the overseas teams in preparing information for payroll as this information is what the payroll service companies use to prepare payroll.</p> <p>In the US and CAN, the payroll information is prepared by the Administrator/Regional Administrator, reviewed by the Finance Manager and signed off by the General Manager. In the UK, this is completed by the Accounting Company, AMR Bookkeeping Solutions Limited.</p> <p>Monthly payroll reconciliations are also conducted by head office as an additional internal control measure.</p> <p>We will investigate compliance with Data Protection as it relates to the respective country.</p>	

Observation	Risk/Implication and Recommendation	Management Response	Implementation date
<p>3. Nonpayment of surplus</p> <p>We noted that the ministry did not pay prior surplus payable to the government amounting to \$2.565M, contrary to PMFA 39(3)(f). As per section 39 (3) (f) of the PMFA, the entity shall "retain such part of its net operating surplus as is determined by the Minister of Finance". The Ministry did not provide any authorization to retain the surplus from the Treasury.</p>	<p>Risk/ Implication</p> <p>Nonpayment of surplus denies the government resources to support other budgeted government priorities.</p> <p>Recommendation</p> <p>Management should ensure any surplus payable is settled unless the Ministry is authorized to retain the surplus by the Ministry of Finance.</p>	<p>Recommendation accepted.</p>	<p>May 2024</p>
<p>4. Lack of a robust initial project appraisal for the procurement of Public transport strategy.</p> <p>The Ministry's initial project appraisal was not robust in providing a realistic cost estimate for the project. contrary to Section 3(1) of</p>	<p>Risk/ Implication</p> <p>In the absence of a robust business case at inception, the Ministry may not adequately evaluate procurement options and methods to achieve value for money. There is a risk that the Ministry may make</p>	<p>Recommendation accepted.</p>	<p>May 2024</p>

Observation	Risk/Implication and Recommendation	Management Response	Implementation date
<p>the Procurement Regulations (2022 Revision). A robust business appraisal should provide justification for undertaking a project and should reliably estimate the cost of this to support decision-making for the investment or expenditure.</p> <p>The Ministry's initially anticipated the procurement to cost below \$100K hence it did not prepare a business case. However, the actual cost of the procurement was \$199,600 about twice the initial cost estimate.</p> <p>However, we acknowledge that the Ministry subsequently prepared a business case and received EPC approval for the award of the contract.</p>	<p>incorrect decisions based on unreliable cost estimates.</p> <p>Recommendation</p> <p>Management ensure that they develop robust business cases for the procurement of goods and services to achieve value for money.</p>		