Office of the Auditor General
CAYMAN ISLANDS

MINISTRY OF SUSTAINABILITY AND CLIMATE RESILIENCY

Report to those charged with governance on the 2024 Financial Statement 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 Sustainability and Climate Resiliency ("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 with an emphasis of matter which reads "as outlined in Note 25 of the financial statements, the Cabinet of Ministers authorised supplementary appropriations for the Ministry under Section 11(5) of the Public Management and Finance Act (2020 Revision) in 2024. The impact of these was an increase of $231,000 in the Ministry's 2024 operation budget. A Supplementary Appropriations Bill for the reallocation was not introduced in Parliament by 31 March 2025 as required by Section 11(6) of the PMFA. My opinion is not qualified with respect to this matter."

9. During the audit, 35 audit adjustments with a gross impact of $1.3 million 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:

- Receivables - Expected credit losses of $23k
- Property, Plant and Equipment – Depreciation of $334k
- Liabilities – Accruals of $550k

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 DEFICENCIES 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,

Angela Cullen CIPFA
Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Number	Account description and adjustment details	Account Number	Debit	Credit
1	Accumulated Depreciation	17075	30,201.79	
	Accumulated Depreciation	17095	253.47	
	Accumulated Depreciation	17105	315.85	
	Accumulated Depreciation	17115	3,528.48	
	Accumulated Depreciation	17145	1,756.75	
	Accumulated Depreciation	17155	1,959.71	
	Depreciation Vehicles	60005		(30,201.79)
	Depreciation Boats	60007		(253.47)
	Depreciation Furniture	60008		(315.85)
	Depreciation Computer	60009		(3,528.48)
	Depreciation Other Plant	60012		(1,756.75)
	Depreciation Other Assets	60013		(1,959.71)
	To correct negative net book value			
2	Fixed Assets Mass Additions	17020	19,141.77	
	Boats	17090		(19,141.77)
	Accumulated Depreciation	17095	2,658.58	
	Depreciation Boats	60007		(2,658.58)
	To reclassify engine to WIP			
3	Accruals – Other	20150	57,070.02	
	Professional Fees	54256		(51,990.02)
	Duty Allowance			(4,600.00)
	Government Pension Con			(240.00)
	Pension Contribution -			(240.00)
	To reverse over accrual			
4	Accruals – Other	20150	40,156.37	
	Contributed Capital	35001		(40,156.37)
	To transfer HMCI accruals			
5	Other Receivables	12012	39,095.76	
	Other unearned coercive	21400		(39,095.76)
	To book grant 41 receivable.			
6	Accrued Prepayments	12009	94,668.07	
	Professional Fees	54256		(61,313.38)
	Special Projects	54444		(33,354.69)
	To reclassify deposits			

7	Revenue deposits	21200		(94,668.07)
	Donations Received	44001	94,668.07	
	To reduced revenue by amount not earned			
8	Other Receivables	12012		(210,445.69)
	Revenue deposits	21200	210,445.69	
	To reduced unearned revenue that was not earned and not received			
9	Other Receivables	12012	16,133.16	
	Basic Salary	50011		(14,293.00)
	Motor Car Upkeep	50056		(125.00)
	Government Pension Con	50080		(857.58)
	Pension Contribution -	50082		(857.58)
	To reclassify salary paid			
10	Prior Period Adjustment	32006	24,891.35	
	Professional Fees	54256		(24,891.35)
	To reclassify 2023 grant expense to prior period			
11	Provision for bad debt	12501		(10,363.00)
	Bad debt expense	58501	10,363.00	
	To increase ECL			
12	Surplus Payable	23422		(6,368.00)
	Grant Reserve	32002	6,368.00	
	To adjust opening balances			
13	Vehicles	17070	30,975.04	
	Accumulated Depreciation	17075		(38,103.70)
	Contributed Capital	35001		(30,975.04)
	Contributed Capital	35001	38,103.70	
	To correct department transfer amounts done twice			
14	Other Receivables	12012	3,185.31	
	Other Receivables	12012	53,100.00	
	Contributed Capital	35001		(56,285.31)

	To book EI receivables			
15	Accumulated Depreciation	17095		(5,556.78)
	Depreciation Boats	60007	5,556.78	
	To agree depreciation to the asset register			
16	Accumulated Depreciation	17055	1,530.72	
	Contributed Capital	35001		(1,530.72)
	To transfer accumulated depreciation for department transferred			
17	Other Receivables	12012	6,660.00	
	Gain on Sale of Assets	45002		(6,660.00)
	To book receivable for vehicle sold			
18	Sale of Outputs	12402	35,058.98	
	Outputs Sold to Cabinet	46001		(35,058.98)
	To record receivable for output earned			
19	Accrued Prepayments	12009	18,505.00	
	Fixed Assets Mass Additions	17020		(18,505.00)
	To reclassify deposit to prepayments			
20	Surplus Payable	23422	45,766.54	
	Surplus Repayment	32007		(45,766.54)
	To reduce surplus payable			
	Total adjustments identified by OAG		**892,117.96**	**(892,117.96)**
1	Other Receivables	12012	43,951.36	
	Other unearned coercive	21400	1,075.12	
	Prior Period Adjustment	32006		(45,026.48)
	To recognize grant 35 receivable			
2	Other Receivables	12012		(65,810.00)
	Other unearned coercive	21400	65,810.00	
	To reduce grant 35 by the amount not receivable			

3	Grant Reserve	32002	6,342.67	
	Prior Period Adjustments	32006		(6,342.67)
	To correct prior year entries			
4	Surplus Payable	23422		(203,924.96)
	Surplus Repayment	32007	203,924.96	
	To increase surplus payable			
5	Grant Reserve	32002	8,358.15	
	Surplus Repayment	32007		(8,358.15)
	To remove incorrect entry made in year			
6	Accruals – Other	20150		(3,322.99)
	Training	50229	3,322.99	
	To book additional accruals			
7	Revenue deposits	21200		(1,692.31)
	Donations Received	44001	1,692.31	
	To adjust revenue deposits and donation received			
8	Surplus Repayment	32007	6,437.90	
	Donations Received	44001		(6,437.90)
	To increase revenue earned for grant 19			
9	Other unearned coercive	21400		(7,009.05)
	Donations Received	44001	7,009.05	
	To adjust balance on grant 38			
	Total Ministry adjustments		**398,938.05**	**(398,938.05)**
	Total adjustments		**1,291,056.01**	**(1,291,056.01)**

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response	Implementation Date
1. **Late responses to the 2022 and 2023 (prior year) ISA 260s and ISA 265s.** The 2023 ISA 260 was sent to the Ministry for formal management comments on 31 May 2024. Additionally, the 2022 ISA 265 were sent to the Ministry for formal management comments on 6 June 2023. However, formal responses were only provided on April 17, 2025.	**Risks/Implication:** Delays in responding to the ISA 260 and 265 letters could lead to potential weaknesses not being addressed. **Recommendation:** Management should assess the observations made and provide formal responses accordingly. Additionally, management should implement necessary control changes.	Management acknowledges the delay in response to these reports.	