



## **MINISTRY OF YOUTH SPORTS AND CULTURE**

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

**MAY 2024**

***To help the public service  
spend wisely***

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# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the year ended 31 December 2023 financial statements of the Ministry of Youth Sports, Culture and Heritage (the "Ministry"). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Ministry of Youth Sports, Culture and Heritage and Infrastructure 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 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](http://www.auditorgeneral.gov.ky)

## AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

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### 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, dated 13 September 2023. 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 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 14<sup>th</sup> 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 \$2,875M, corrected by management, is attached in Appendix 1. There are no uncorrected misstatements during the 2023 financial year.
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 4<sup>th</sup> April 2024 in respect of our financial statement audit.

## SIGNIFICANT FINDINGS FROM THE AUDIT

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## 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.

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#### IMANAGEMENT'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 - \$1.342M
  - Value of Property, Plant and Equipment - \$12.835M

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#### IGOING 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.

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#### ISIGNIFICANT 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 2 along with management's response. Significant deficiencies identified during our audit are noted in Appendix 1, along with management's response. Other internal control deficiencies are reported separately to management.

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#### IFRAUD 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.

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SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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DISAGREEMENTS WITH MANAGEMENT

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

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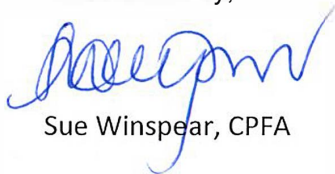
ANY OTHER SIGNIFICANT MATTERS

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

**ACKNOWLEDGEMENTS**

20. We would like to express our thanks to the staff of the Ministry of Youth Sports, Culture and Heritage for their assistance during the audit of this year's financial statements. This allowed us to complete the audit one month before the statutory timeline.

Yours sincerely,



Sue Winspear, CPFA

Auditor General

**APPENDIX 1 - SUMMARY OF ADJUSTED DIFFERENCES**

<b>Assets</b>	<b>Equity</b>	<b>Expenses</b>	<b>Liabilities</b>	<b>Revenue</b>	<b>Total</b>
<b>2,723,057</b>	<b>2,510,805</b>	<b>150,709</b>	<b>228,011</b>	<b>138,294</b>	<b>5,750,878</b>

<b>Number</b>	<b>Date</b>	<b>Name</b>	<b>Account No</b>	<b>Debit</b>	<b>Credit</b>
1	12/31/2023	Accrued Prepayments	12009	7,893.18	
1	12/31/2023	Software Licensing Fees	54352		(7,893.18)
		Prepayments not included in the prepayments schedule			
2	12/31/2023	Buildings	17030	2,149,555.00	
2	12/31/2023	Accumulated Depreciation Building	17035		(71,124.00)
2	12/31/2023	Accumulated Depreciation Building	17035		(71,125.00)
2	12/31/2023	Accumulated Depreciation Building	17035		(142,249.00)
2	12/31/2023	Accumulated Depreciation Building	17035		(142,249.00)
2	12/31/2023	Asset Revaluation Reserve ♦Adjustment	31003		(1,134,162.00)
2	12/31/2023	Prior Period Adjustments	32006	71,125.00	
2	12/31/2023	Prior Period Adjustments	32006	142,249.00	
2	12/31/2023	Contributed Capital	35001		(944,269.00)
2	12/31/2023	Depreciation Buildings	60001	142,249.00	
		To transfer the Department of Sports Annex, which was in the books of the Ministry of Education as of 31.12.2023. This was deemed an error and was recognised as at 01.07.2021			
3	12/31/2023	Accrued Prepayments	12009		(567.56)
3	12/31/2023	Software Licensing Fees	54352	567.56	
		Prepayment client adjustment			



Number	Date	Name	Account No	Debit	Credit
4	12/31/2023	Other Current Liabilities	23400		(219,000.00)
4	12/31/2023	Contributed Capital	35001	219,000.00	
		Refund of Equity injection overpayment			
5	12/31/2023	Debtor (due from other Ministry	12404	138,294.46	
5	12/31/2023	Outputs Sold to Cabinet (EXCO)	46001		(138,294.46)
		Additional billing to fund depreciation error			
6	12/31/2023	Surplus Payable	23422		(4,505.92)
6	12/31/2023	Surplus Repayment	32007	4,505.92	
		Surplus repayment			
		<b>Total</b>		<b>2,875,439.12</b>	<b>(2,875,439.12)</b>

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

Observation	Risk/Implication and Recommendation	Management Response
<p><b><u>New 2023 Issues</u></b></p> <p><b>Misstatement in the transfer of PPE</b></p> <p>During the current period, it was noted that the T.E. Mc Field Annex facility, an asset held by the Department of Sports valued at \$2,150M, was not transferred from the Ministry of Education during the 2021 Cayman Islands Government restructuring exercise. This contravened the Post-Election Procedures 2021, which required both Ministries to agree on all assets to be transferred. It should be noted that this error was corrected in the 2023 financial year.</p>	<p><b>Risk/ Implication:</b></p> <p>This error resulted in a material misstatement of the property, plant, and equipment balance in the 2021 to 2022 financial years.</p> <p><b>Recommendation:</b></p> <p>The Ministry should ensure that it has better measures to detect errors regarding the completeness of Property, Plant and Equipment.</p>	<p>Management accepts the observation and now has recorded all assets pertaining to the Ministry. It is however, important to note that the transferring of assets is subject to details and support from the previous Ministry and requires a joint approach.</p> <p><b>Implemented December 31, 2023</b></p>
<p><b>Leave Liability Errors</b></p> <p>We noted several differences between the balances on the leave liability schedule submitted for audit purposes compared to the signed leave records compared by employees. This led to revised audit schedules being provided.</p>	<p><b>Risk/ Implication:</b></p> <p>Leave Liability balances for staff members can be misstated.</p> <p><b>Recommendation:</b></p> <p>The Ministry should ensure regular reconciliation between signed leave records, the leave Liability report, and the My Vista personnel system.</p>	<p>Management accepts the observation.</p> <p>The leave liability schedule was generated from My Vista after updating actual leave and signed leave records. Management accepts the My Vista system records as the correct measure of the outstanding liability, as all liability calculations are based upon these records. The observed differences were not materially significant.</p>

Observation	Risk/Implication and Recommendation	Management Response
		<b>Implemented December 31, 2023</b>
<p><b><u>Recurring issues resolved in the 2023 financial year</u></b></p> <p><b>Non-compliance with the Procurement Regulations 2022</b></p> <p><b>1. Transactions between IOK and IOOK</b></p> <p>We noted that there was a lack of a competitive process for the procurement of landscaping services from one vendor totaling \$74K. The Procurement Regulations require the Ministry to solicit a minimum of 3 quotes if not advertised. In the absence of a competitive process for these services, the Ministry did not satisfy the criteria set out in Section 5.1 of the Procurement Regulations 2022 for the direct award. Further, there was non-compliance with the public reporting requirements for these services as these were not published on Bonfire. Section 19(1) of the procurement regulations requires awards to be implied within 30 days.</p> <p><b>2. Transactions between 100K and 250K</b></p> <p>We noted a lack of a competitive process for procuring security services totaling \$154K from The Security Centre. The Procurement Regulations require the Ministry to prepare a business case and to have a</p>	<p><b>Risk/ Implication:</b></p> <p>There is a risk that the Ministry cannot demonstrate how it is obtaining value for money for goods and services procured, which could lead to the wastage of public funds.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that the Ministry complies with the stipulations of the Procurement Regulations. This will ensure that the Ministry obtains value for money for goods and services procured.</p>	<p>It is to be noted that these observations were previously raised in the 2022 ISA report. Since that time Management has fully implemented the recommendation and undertook a competitive process to procure vendor contracts with effect from September 1, 2023 for both landscaping and security services.</p> <p>While the Ministry was undertaking the procurement process to regularize this legacy matter it had inherited, services had to be provided within the areas noted to ensure that the Department of Sports remain operational and maintain a level of service which was of good standing with the public and offer some protection to the Government of the day against potential liabilities. Management therefore decided to continue the agreements in place with the then existing vendors, until the completion of the procurement exercise. Delays in the procurement process resulted in the Ministry incurring costs that were not anticipated to the implementation of the competitive process.</p>

Observation	Risk/Implication and Recommendation	Management Response
<p>formal bidding document that the Chief Officer or the Entity Procurement Committee (EPC) evaluates. In the absence of a competitive process for these services, the Ministry did not satisfy the criteria set out in Section 5.1 of the Procurement Regulations 2022 for the direct award. Further, there is non-compliance with the public reporting requirements for these services as these were not published on Bonfire. This is a recurring issue from the prior year. Section 19(1) of the procurement regulations requires awards to be implied within 30 days.</p> <p>It should be noted that these issues were inherited by the Ministry and were resolved by a competitive bidding tendering process in the 2023 financial year.</p>		<p>The procurement process for the landscaping and security services were completed by 3<sup>rd</sup> quarter of 2023 ; full compliance with the Procurement Regulations.</p> <p><b>Implemented September 1, 2023</b></p>