



MINISTRY OF BORDER CONTROL AND LABOUR

Report to those charged with governance on the 2022 audit

September 2023



*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 2022 financial statements of the Ministry of Border Control and Labour (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:
 - auditor’s 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 for 2022 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 dated 25 August 2022 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 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 operations of the Ministry of Border Control and Labour. No unresolved exceptions were noted from our review.
7. We have not reviewed any other documents containing the Ministry's audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

8. 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 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

9. We issued an unqualified opinion in the Auditor General's report on the 2022 financial statements.
10. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The total gross adjustments made amounted to \$5.2 million (comprised audit adjustments of \$2.8 million and client adjustments of \$2.4 million). There were no uncorrected misstatements.
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 the written representations on 30 April 2023

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 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 judgements and estimates with regards to the following financial statement items:
- provisions and contingent liabilities
 - depreciation and amortization of property and equipment and intangible assets respectively
 - provisions for doubtful debts.

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 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 one significant matter relating to internal controls as part of our audit. See Appendix 2 for details along with management's response. Other control deficiencies have been communicated separately to management

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 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 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.
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. No disagreements with management were noted during the 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 Ministry's staff for their help and assistance during the audit of 31 December 2022 financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours sincerely,



Angela Cullen, CPFA
Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

1. Audit Adjustments

| Acc No | Name | Debit | Credit |
|----------|---|------------|------------|
| 17165 | Accumulated Impairment Reserve | 966,511.20 | |
| OAG17165 | Accumulated Impairment reserve <i>To reclass prior year impairment of intangible assets to the proper account.</i> | | 966,511.20 |
| 12501 | Provision for Doubtful Debts (T | | 615,246.85 |
| 58505 | Doubtful Debt Expense <i>Provision for long outstanding Examination & Warehouse fees</i> | 615,246.85 | |
| 20150 | Accruals - Other | | 152,500.00 |
| 58604 | Settlement of Case <i>Being additional provision of legal cases</i> | 152,500.00 | |
| 60001 | Depreciation Buildings | | 16,586.89 |
| 60009 | Depreciation Computer Hardware | 23,384.97 | |
| 60010 | Depreciation Computer Software <i>To reclassify depreciation expense to the correct general ledger accounts</i> | | 6,798.08 |
| 10102 | USD-Ministry and Portfolio Bank | | 44,943.53 |
| 12012 | Other Receivables <i>To record payments made on behalf of the Executive as a receivable.</i> | 44,943.53 | |
| 60001 | Depreciation Buildings | 16,586.89 | |

| Acc No | Name | Debit | Credit |
|--------|---|---------------------|---------------------|
| 60009 | Depreciation Computer Hardware | | 23,384.97 |
| 60010 | Depreciation Computer Software <i>Reclassification of depreciation charge wrongly posted</i> | 6,798.08 | |
| 23422 | Surplus Payable | | 993,154.49 |
| 32007 | Surplus Repayment <i>To correct surplus payable for the year</i> | 993,154.49 | |
| | Sub total | 2,819,126.01 | 2,819,126.01 |

2. Client Adjustments

| Acc No | Name | Debit | Credit |
|--------|-------------------------------|----------|----------|
| 20150 | Accruals - Other | 8,317.90 | |
| 50225 | Inter-Island Travel | | 252.20 |
| 50412 | Hygiene/Sanitary Supplies | | 32.00 |
| 50602 | Food / Dietary Supplies | | 519.41 |
| 50960 | Uniforms | | 50.70 |
| 50961 | Vehicle Fuel and Oil | | 100.00 |
| 51001 | Office Supplies - Consumables | | 3,215.00 |
| 51051 | Printing - Other | | 446.28 |
| 51405 | Electricity | | 2,731.46 |
| 51420 | Water | | 155.00 |

| Acc No | Name | Debit | Credit |
|--------|--|----------|-----------|
| 51430 | Telephone Charges <i>Accrual for October 2022 expenses for the Department of Labour and Pensions</i> | | 815.85 |
| 20150 | Accruals - Other | | 11,227.00 |
| 20332 | Pensions Fund Payable | | 1,347.24 |
| 32006 | Prior Period Adjustments | 8,359.68 | |
| 50011 | Basic Salary | 3,763.00 | |
| 50080 | Government Pension Contribution | 225.78 | |
| 50082 | Pension Contribution - PPE Employee <i>To record backpay and pension for an employee due to incorrect pay scale</i> | 225.78 | |
| 20150 | Accruals - Other | | 4,027.45 |
| 20332 | Pensions Fund Payable | | 483.29 |
| 22106 | Accrual -Annual Leave | | 74.93 |
| 32006 | Prior Period Adjustments | 3,831.52 | |
| 50011 | Basic Salary | 606.45 | |
| 50080 | Government Pension Contribution | 36.39 | |
| 50082 | Pension Contribution - PPE Employee | 36.38 | |
| 50150 | Movement in Annual Leave Provision <i>To record backpay and pension for an employee due to incorrect pay scale</i> | 74.93 | |
| 12030 | Other Salary - Receivables | 4,451.00 | |
| 50011 | Basic Salary | | 4,451.00 |

| Acc No | Name | Debit | Credit |
|--|--|-----------|-----------|
| <i>To record a receivable for the December 2022 salary recall for an employee who resigned in Nov 2022</i> | | | |
| 20150 | Accruals - Other | | 8,426.67 |
| 51430 | Telephone Charges | 8,426.67 | |
| <i>To record telephone services costs.</i> | | | |
| 20150 | Accruals - Other | 4,000.00 | |
| 58604 | Settlement of Case | | 4,000.00 |
| <i>Reverse a duplicate posting for a provision for an outstanding legal case.</i> | | | |
| 12009 | Accrued Prepayments | 68,189.25 | |
| 20150 | Accruals - Other <i>Accrual for maintenance fees for the automated border kiosks.</i> | | 68,189.25 |
| 12701 | Unapplied/Unidentified Sales of | | 63,954.91 |
| 42646 | VWA - Visitor's Work Visa Application | 10,699.95 | |
| 42647 | VEA - Extension of a Visitor's | 53,254.96 | |
| <i>To reclassify visa fees from the unapplied funds account.</i> | | | |
| 10171 | Immigration Bank Account (Jamaica) | | 749.01 |
| 59001 | Gain/Loss on Foreign Exchange - Entity Transaction <i>To record exchange differences on a bank account.</i> | 749.01 | |

| Acc No | Name | Debit | Credit |
|--------|--|--------------|--------------|
| 20150 | Accruals - Other | | 14,640.68 |
| 54256 | Professional Fees To accrue for care rental costs. | 14,640.68 | |
| 22107 | Accrued - Salary & Wages | 2,089,475.00 | |
| 50011 | Basic Salary | | 1,865,603.00 |
| 50080 | Government Pension Contribution | | 111,936.00 |
| 50082 | Pension Contribution - PPE Employee <i>To adjust a previous accrual for Customs and Border Control's salary regularisation following approval from the Deputy Governor.</i> | | 111,936.00 |
| 10102 | USD-Ministry and Portfolio Bank | 6,159.44 | |
| 23400 | Other Current Liabilities | | 6,159.44 |
| | <i>To correct a transfer received in entity bank account to be transferred to the Executive USD account.</i> | | |
| 22107 | Accrued - Salary & Wages | 120,443.11 | |
| 22107 | Accrued - Salary & Wages | 14,453.18 | |
| 50011 | Basic Salary | | 120,443.11 |
| 50080 | Government Pension Contribution | | 7,226.59 |
| 50082 | Pension Contribution - PPE Employee <i>To adjust a previous accrual for Customs and Border Control's salary regularisation following approval from the Deputy Governor.</i> | | 7,226.59 |
| 17020 | Fixed Assets Mass Additions Cle | 4,391.88 | |

| Acc No | Name | Debit | Credit |
|--------|--|---------------------|---------------------|
| 20150 | Accruals - Other <i>To accrue costs for fixed assets received in November 2022.</i> | | 4,391.88 |
| 20150 | Accruals - Other | | 1,535.00 |
| 50224 | Official Travel - Expense <i>To correct accrued travel expenses</i> | 1,535.00 | |
| | Sub total | 2,426,346.94 | 2,426,346.94 |
| | TOTAL | 5,245,472.95 | 5,245,472.95 |

APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

| Observation | Risk/Implication and Recommendation | Management Response |
|--|---|--|
| <p>1. <u>Non-compliance with Personnel Regulations - duty allowances</u></p> <p>Section 3(2)(g) of Schedule 1 of the Personnel Regulations (2022 Revision) (the “Regulations”) requires appointing offices to determine the amount of duty allowances paid to staff for undertaking duties above their typical job responsibilities.</p> <p>During the audit, we selected a sample of duty allowances paid during the year for testing. However, the Ministry did not provide evidence of the Chief Officer’s approval for several duty allowances paid during the year. Based on our extrapolation from the sample tested, the potential financial statement impact from the deviations noted in our sample is about \$353 thousand.</p> <p>We also noted an instance where an employee has been paid a duty allowance since 2015.</p> | <p>Risks/Implications:</p> <p>Non-compliance with the Regulations.</p> <p>The Ministry may incur financial loss if it pays duty allowances without approval from the Chief Officer.</p> <p>Recommendation:</p> <p>Management should ensure that all duty allowances paid are approved by the Chief Officer as required by the Regulations.</p> <p>When employees undertake duties above their typical job responsibilities for extended time periods, management should ensure that the employee’s job description is updated and the job’s salary scale is re-evaluated.</p> | <p><i>Implemented. The individuals detailed on the attached spreadsheet legitimately worked the extra duties outlined therein.</i></p> |