



**MINISTRY OF DISTRICT ADMINISTRATION AND LANDS**

---

**Report to those charged with governance on the 2021 audit**

**November 2022**

*To help the public  
service spend  
wisely*

## TABLE OF CONTENTS

---

<b>Introduction .....</b>	<b>4</b>
<b>Auditors responsibilities in relation to the audit .....</b>	<b>4</b>
Auditor’s responsibility under International Standards on Auditing.....	4
Responsibilities of Management and those charged with governance: .....	5
Other information in documents containing audited financial statements:.....	5
<b>Conduct, approach and overall scope of the audit .....</b>	<b>5</b>
<b>Audit report, adjustments and management representations .....</b>	<b>5</b>
<b>Significant findings from the audit.....</b>	<b>6</b>
Significant accounting practices .....	6
Management’s judgments and accounting estimates.....	6
Going concern doubts.....	6
significant and other deficiencies in internal control .....	6
Fraud or illegal acts.....	6
Significant Difficulties encountered during the course of our audit .....	7
Disagreements with management.....	7
Any Other significant matters.....	7
<b>Acknowledgements .....</b>	<b>8</b>
<b>Appendix 1 – Corrected misstatements .....</b>	<b>9</b>
<b>Appendix 2 – Uncorrected misstatements .....</b>	<b>10</b>
<b>Appendix 3 - Internal control matters and significant findings.....</b>	<b>11</b>

# REPORT TO THOSE CHARGED WITH GOVERNANCE

---

## INTRODUCTION

1. We have completed our audit of the financial statements of the Ministry of District Administration and Lands (the “Ministry”) for the six months period ended 31 December 2021. 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
  - 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 Ministry’s financial statements 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) (“FOI Act”) 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).

## AUDITORS 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 letters to which the engagements were 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.

**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 30 August 2021 and follows 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 with an emphasis of matter paragraph on the 2021 financial statements.
9. Appendix 1 summarizes the misstatements identified during the audit that were corrected by management. Appendix 2 summarizes those uncorrected misstatements 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 provided us with the written representations on 7 July 2022 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 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.

12. Details of any significant findings from the audit are included in Appendix 3 along with management's response.

---

### **MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES**

13. There were no matters which required management to make significant judgments or which required significant estimates other than revaluation, impairment and depreciation of property, plant and equipment and amortization of intangible assets.

---

### **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 certain matters relating to the system of internal control we have deemed significant (Appendix 3) to the Ministry's operations, and are submitting for your consideration related observations and recommendations designed to help the Ministry improve its system of internal control. Other internal control matters are 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 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 serious difficulties were encountered in the performance of our audit.

---

#### DISAGREEMENTS WITH MANAGEMENT

20. There were no disagreements with management noted during the audit

---

#### ANY OTHER SIGNIFICANT MATTERS

21. During the year, the Cabinet and Parliament's Finance Committee authorized supplementary funding of approximately \$747 thousand for the Ministry under sections 12(1) and 12(2) of the Public Management and Finance Act (2020 Revision) ("PMFA") respectively. A Supplementary Appropriation Bill for the funding was not introduced in Parliament by 31 March 2022 as required by section 12(3) of the PMFA.

22. Section 9(4) of the PMFA states that appropriations may only be used for the output group, category, equity investment or executive asset for which Parliament approved them. Sections 11 and 12 of the PMFA set out the circumstances under which Cabinet and Parliament may authorise supplementary appropriations. During the year, the Ministry reallocated approximately \$361 thousand between different output groups and \$2.4 million in appropriations for equity injections from the Entity to the Executive. The reallocations were not authorised by the Cabinet or Parliament as required by sections 11 and 12 of the PMFA.

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

#### **ACKNOWLEDGEMENTS**

24. We would like to express our thanks to the staff of the Ministry of District Administration and Lands for their help and assistance during the audit of this period's financial statements.

Yours faithfully,



**Sue Winspear, CPFA**  
Auditor General



## APPENDIX 1 – CORRECTED MISSTATEMENTS

Date	Name	Account No	Debit	Credit
31/12/2021	Asset Revaluation Reserve -Adjustment	31003		(16,257.70)
31/12/2021	Contributed Capital	35001	16,257.70	
To correct errors in the computation of revaluation gain on assets transferred to the Ministry in July 2021.				
31/12/2021	Other Inventories	13201	6,632.75	
31/12/2021	Impairment of Inventory - Entity	59009		(6,632.75)
To correct a difference between the inventory valuation report and the trial balance.				
31/12/2021	Debtor (due from Other Ministries)	12404	80,504.00	
31/12/2021	Other Inventories	13201		(11,456.00)
31/12/2021	Temporary Relief	50018		(60.00)
31/12/2021	Official Travel - Expense	50224		(4,806.00)
31/12/2021	Cleaning Materials	50411		(828.00)
31/12/2021	Hygiene/Sanitary Supplies	50412		(700.00)
31/12/2021	Food / Dietary Supplies	50602		(521.00)
31/12/2021	Vehicle Fuel and Oil	50961		(502.00)
31/12/2021	Electricity	51405		(48,192.00)
31/12/2021	Water	51420		(2,609.00)
31/12/2021	Telephone Charges	51430		(7,829.00)
31/12/2021	Freight and Shipping	54300		(723.00)
31/12/2021	Janitorial Services	54306		(1,780.00)
31/12/2021	Public Relations and Publicity	54401		(498.00)
Adjustment to record expenses incurred before 1 July 2021 and paid by MDAL as receivables from MDATT (old Ministry).				
31/12/2021	Surplus Payable	23422		(178,173.90)
31/12/2021	Surplus repayment	32007	178,173.90	
To record the surplus payable for the period.				
<b>Total</b>			<b>281,568.35</b>	<b>(281,568.35)</b>

## APPENDIX 2 – UNCORRECTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1	Projected inventory misstatement based on differences between the period-end physical count and system inventory quantities.	(6,483.35)	-	-	6,483.35	-
2	Being difference on accumulated depreciation of assets transferred to MDAL from MEYSAL	7,239.00	-	-	(7,239.00)	-
3	Overstatement of annual leave	6,492.34	-	-	(6,492.34)	-
4	Being projected error on payables arising from sampled payables not supported by invoices	4,161.00	-	-	(4,161.00)	-
5	Being projected error on payables arising from recognition of expenses paid during the period as payables	7,890.00	-	-	(7,890.00)	-
	<b>Understated/(Overstated)</b>	<b>19,298.99</b>	<b>-</b>	<b>-</b>	<b>(19,298.99)</b>	<b>-</b>

**APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS**

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
<p><b>1. <u>Non-compliance with The Procurement Act</u></b></p> <p>In 2021, the Ministry procured services for the interior fit-out of buildings it owns in Cayman Brac. From our review of the procurement, we noted some instances of non-compliance with The Procurement Act, as detailed below:</p> <p><b><u>Disaggregation of the procurement:</u></b></p> <p>The Ministry disaggregated the procurement into three separate procurements; for the interior fit-out of buildings named “B”, “C”, and “D”. However, the Ministry did not document its decision to disaggregate the procurement in an approved business case, contrary to section 14(2)(b) of the Procurement Act and Section 20(4)(b) of the Procurement Regulations.</p> <p><b><u>The procurement method used:</u></b></p> <p>The Ministry estimated that the interior fit-out for each building would cost \$75,000 to \$85,000. The Ministry, therefore, used the “Request for Quotations” procurement method.</p>	<p><b>Risks/Implications</b></p> <p>Non-compliance with The Procurement Act and The Procurement Regulations.</p> <p>The Ministry may not obtain value for money from procurement if it does not comply with The Procurement Act and Regulations.</p> <p><b>Recommendations</b></p> <p>In the future, the Ministry should prepare business cases to justify the dis-aggregation of major procurements into smaller, separate ones.</p>	<p>The Ministry accepts this recommendation. Steps have been taken to streamline the business case going forward for disaggregated projects. The Ministry will also ensure that all procurements that unexpectedly go over a threshold are halted and put through a revised procurement process in line with the Procurement Act and Regulations;</p> <p>Going forward it may be helpful for the Central Procurement Office to define in the Act and/or Regulations what constitutes one larger project.</p>	<p>The recommendations will be incorporated in the Ministry’s procurement policy and practices with immediate effect.</p>

<p>However, the actual cost of each procurement was about \$145,000, which is greater than the \$100,000 threshold for public tendering required by Section 6 of the Procurement Regulations. Therefore, the Ministry's Entity Procurement Committee (EPC) should have recommended that the contracts be re-tendered (i.e. the bids should not be accepted) per Section 16(2)(c) of the Procurement Regulations.</p> <p>From our discussions with the Central Procurement Office, we understand that they plan to draft a legislative amendment to make this requirement under Section 16(2)(c) of The Procurement Regulations clearer.</p>			
---	--	--	--