



**MINISTRY OF FINANCE AND ECONOMIC  
DEVELOPMENT**

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

*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 31 December 2021 financial statements of the Ministry of Finance & Economic Development (“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 2021 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 (2020 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 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 consistent with information appearing in the financial statements or our knowledge of the operations of the Ministry. 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 05 October 2020, 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.
9. A summary of adjustments made to the financial statements is attached in Appendix 1.
10. 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

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 apart from those issues that were corrected and noted within Appendix 2. 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

12. Management have made significant judgments and estimates with regard to depreciation of fixed assets.

### GOING CONCERN

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 DEFICIENCIES IN INTERNAL CONTROL

14. We identified certain matters (at Appendix 2) relating to the system of internal control and its operation, and are submitting for your consideration related observations and recommendations designed to help the Ministry improve its system of internal control.

### FRAUD OR ILLEGAL ACTS

15. 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.

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.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

18. No significant difficulties encountered during the course of our audit.

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#### DISAGREEMENTS WITH MANAGEMENT

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

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#### ANY OTHER SIGNIFICANT MATTERS

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

### ACKNOWLEDGEMENTS

21. We would like to express our thanks to the staff of the Ministry for their help and assistance during the audit of this year's financial statements.

Sue Winspear, CPFA

Auditor General

8 March 2022

Cayman Islands

**Appendix 1 – SUMMARY OF ADJUSTED DIFFERENCES**

<b>Name</b>	<b>Account No</b>	<b>Debit</b>	<b>Credit</b>
Depreciation	60001	48,619.69	
Accumulated Depreciation	17035		48,619.69
Record adjusted depreciation buildings POCS for Dec 2021			
Debtor (due from oth	12404	48,619.69	
Output sold to Cabinet	46001		48,619.69
Record AR from Org 40 for Dec 2021 Cabinet inv			
USD- Ministry and Por	10102	823.74	
Gain/loss on Foreign	59001		823.74
Loss/gain on rate of exchange 31-Dec-2021			
Outputs Sold to Cabinet	46001	823.74	
Debtors ( due from oth	12404		823.74
Record AR from Org 40 for Dec 2021 Cabinet inv			



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

Observations	Status	Risks/Implication & Recommendations	Management's Responses	Implementation Date
<p><b>1) Long Outstanding Receivable Balance</b></p> <p>As at 31 December 2021, total outstanding receivable for Mail Terminal Dues amounted to \$590K which is slightly less than prior year.</p> <p>During the audit, it was revealed that to date, no administration has refused to pay. Some of the larger outstanding invoices are under verification, i.e., Belgium and USA.</p> <p>All invoice up to Dec-2020 has been sent out to administrations. However, 2021 invoices are not issued. These are generally not issued until July 2022. As at February UPU Clearing house had been invoices \$211K for the prior year.</p>	<p>Incomplete</p>	<p><b>Risks/Implication</b></p> <p>Long outstanding receivable increases the likelihood that the balance is uncollectible and disputes arises over the outstanding amount.</p> <p><b>Recommendation</b></p> <p>Management should implement robust controls in order to ensure that the territories are invoiced in a timely manner and outstanding amounts collected.</p>	<p>Efforts to collect receivables for 2020 continue. Sixty percent of the 2020 amount as at Dec 31, 2021 have been collected.</p> <p>For 2017-2019 of the remaining \$94K outstanding, \$68K has now been deemed uncollectable after numerous efforts to collect the funds were made. 57k of this was provisioned in 2021.</p> <p>A formal request to the Financial Secretary to obtain permission for a final write-off of the uncollectable funds will be submitted by August 2022.</p>	<p>30 Sep 2022</p>

<p><b>2) IT Governance</b></p> <p><b>a) IT Risk Assessment and IT Strategy</b></p> <p>CIPS acquired IT infrastructure such as servers and network devices that are locally hosted to support the implementation of the Swift Postal System. They also recruited an IT Technician for technical support. However:</p> <ul style="list-style-type: none"> <li>• An IT Risk assessment has not been conducted to identify risks and assess threats in order to ensure appropriate mitigating controls are in place that assist in preventing security incidents and failures.</li> <li>• In addition, there is no Strategic IT plan or an IT steering committee to discuss IT Strategy, risks and controls. A Quality Team exists that oversees operational issues including approval of drafted SOPs, however, IT strategy and IT risk management are currently not part of their mandate.</li> </ul>	<p>Incomplete</p>	<p><b><u>Risks/ Implication</u></b></p> <ul style="list-style-type: none"> <li>• Potential that IT risks are not fully mitigated resulting in e.g. security gaps/unauthorized access or business disruption.</li> <li>• Potential delays in the achievement of overall organization vision and goals due to gaps in relevant IT support (absence of effective systems, technical tools or human resources or compliance failures).</li> </ul> <p><b><u>Recommendations</u></b></p> <p>We recommend that CIPS:</p> <ul style="list-style-type: none"> <li>• Create an IT Strategy aligned with its overall organizational vision and goals; in proportion to the size and nature of its operations. This can cover a 3- 5-year period, and will allow</li> </ul>	<p>Priority for acting upon the recommendations in this report has been given to the collection of the outstanding receivables for Mail Terminal Dues given the significance of those funds.</p> <p>As such, the development of the IT Strategy and Risk Assessment is still incomplete.</p> <p>However, Risk Assessment has begun and should be completed by end of August 2022. Work on the IT Strategy will commence after this and it is anticipated it will be completed in October 2022.</p>	<p>31 Dec 2022</p>
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		<p>management to gain more value from IT.</p> <ul style="list-style-type: none"> <li>• Consider performing an IT risk assessment as part of the organization's Enterprise Risk Management process. This can then be reviewed annually or as needed by the Executive leadership and Board.</li> </ul> <p>The outcome of the IT Strategy and risk assessment can also be used to prioritize IT related projects, budgets and resourcing.</p>		
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