



MINISTRY OF EMPLOYMENT AND BORDER CONTROL

**Report to those charged with governance on the 2019 Financial
Statements audit**

November 2020

*To help the public service
spend wisely*

TABLE OF CONTENTS

Introduction	1
Auditor’s Responsibilities in Relation to the Audit	2
Auditor’s responsibility under International Standards on Auditing	2
Responsibilities of Management and those charged with governance	2
Other information in documents containing audited financial statements	2
Conduct, Approach and Overall Scope of the Audit	2
Audit Report, Adjustments and Management Representations	3
Significant Findings from the Audit	3
Significant accounting practices	3
Management’s judgments and accounting estimates	3
Going concern doubts	4
Significant deficiencies in internal control	4
Fraud or illegal acts	4
Significant difficulties encountered during the course of our audit	5
Disagreements with management	5
Acknowledgements	5
Appendix 1 – Summary of Adjusted Differences identified by both audit and management (from original Trial Balance to finalisation of the report)	6



REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2019 financial statements of the Ministry of Employment and Border Control (MEBC or Ministry). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the MEBC 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 2019 that we consider are worthy of drawing to your attention, so that you can consider them before the financial statements are approved and signed.
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 Law (2018) 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 operations of the Ministry of Employment and Border Control. To date we have not yet received the Ministry's annual report.

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 dated October 18, 2019 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 issued an unqualified opinion in the Auditor General's report on the 2019 financial statements.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The total net adjustments to the Net Worth amounted to \$207,287. There were no uncorrected misstatements identified by us during the audit.
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 and management has provided us with written representations dated 3 September 2020 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 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

12. The matters below required management to make significant judgments and significant estimates to prepare financial statements in accordance with International Public Sector Accounting Standards (IPSAS).
13. At 31 December 2019, provisions for legal cases and other liabilities were recognized in the statement of financial position totaling \$1,299,559. Of this balance, \$600,000 related to various legal cases against the Ministry the potential outcomes of which are considered at year end by management and legal adviser to be probably adverse and with those estimates of potential outflow of resources. Contingent liabilities cases (not part of the balance recognised) totaled \$478,000 and relate to legal disputes that have not satisfied the recognition criteria, but the likelihood of adverse outcomes were greater than remote. Provisions are recognised and contingent liabilities are

disclosed in the financial statements and reviewed on a continuous basis and adjusted as necessary, when more updated information indicates a change in estimate. Based on our testing, these management's judgments and accounting estimates comply with the principles set forth in IPSAS.

14. Usually, government entities do not provide for bad debt for accounts receivable owed by related parties within the public sector. In its 2019 financial statements, Management continued to provide in full for invoices worth \$305,157 receivable from Cayman Airways. This amount was accrued over the period starting from July 2014 to December 2019. It is therefore management's belief that this amount is doubtful given that it has been long overdue and there is no indication that Cayman Airways will pay this amount in the foreseeable future.

GOING CONCERN DOUBTS

15. 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

16. 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 did not identified any significant matters relating to internal controls as part of our audit; however, we have reported to management those that are deemed not significant.

FRAUD OR ILLEGAL ACTS

17. 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.

18. 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.
19. No fraud or illegal acts came to our attention as a result of our audit. Matters bearing on compliance have been disclosed in the financial statements or reported by us as control deficiencies.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

21. There were no disagreements with management that were noted during the audit.

ACKNOWLEDGEMENTS

22. We would like to express our thanks to the staff of the Ministry of Employment and Border Control for their help and assistance during the audit of 31 December 2019 financial statements.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES IDENTIFIED BY BOTH AUDIT AND MANAGEMENT (FROM ORIGINAL TRIAL BALANCE TO FINALISATION OF THE REPORT)

Category	Net Debit	Net Credit
Assets	2,770,345	1,978,527
Liabilities	2,004,611	3,235,070
Equity	2,065,346	1,858,059
Revenues	3,469,486	4,062,571
Expenses	3,029,318	2,204,888
Grand Total	3,978,211	3,978,211

Account Name	Account No	Debit	Credit
Comp Time Liability	22105	86,875	
Comp Time Liability	22105		1,676
Comp Time Liability	22105		766
Comp Time Expense	50155		86,875
Comp Time Expense	50155	1,676	
Comp Time Expense	50155	766	
<i>Adjustment to Comp time liability based on updated calculation</i>			
Accruals - Other	20150		435,730
Accruals - Other	20150	28,207	
Settlement of Case	58604	435,730	
Settlement of Case	58604		28,207
<i>Adjustment to Pensions for the RCIPS</i>			
Accrual -Annual Leave	22106	7,599	
Accrual -Annual Leave	22106	263,086	
Leave	50014		7,599
Leave	50014		263,086
<i>Correcting the errors of vacations accruals</i>			
Fixed Assets Mass Additions	17020		43,620
Accruals - Other	20150	43,620	
<i>To allocate pilotage expense to transport H145</i>			
Opening Balance – Net Worth	32004	1,154,054	
Prior Period Adjustment	32006		291,752
Gain on Sale of Asset	45002	39,726	
Gain on Sale of Asset	45002	124,304	
Gain on Sale of Asset	45002	55,246	
Gain on Sale of Asset	45002		624,043
Gain on Sale of Asset	45002		511,028

Gain on Sale of Asset	45002	291,752	
Gain/Loss on Disposal	59002		219,028
Gain/Loss on Disposal	59002		248
Gains/Losses on Revaluation	59007	287	
Gains/Losses on Revaluation	59007	461	
Gains/Losses on Revaluation	59007		19,978
Gains/Losses on Revaluation	59007	248	
<i>Adjustment on accumulated depreciation transferred on CBC assets, Correction of erroneous journals, Reversing Loss on Disposal of Asset 232378 Finger printing, Retiring Impairment on Fingerprinting asset</i>			
Accruals - Other	20150	1,224,421	
Accruals - Other	20150		1,588,908
Settlement of Case	58604	1,588,908	
Settlement of Case	58604		1,224,421
<i>Adjustment to provision for legal cases based on updated legal confirmation</i>			
Gain on Sale of Asset	45002	2,177,500	
Gain on Sale of Asset	45002		750,000
Insurance Proceeds	45008		2,177,500
Gain/Loss on Derecog	59006	750,000	
<i>Reclassification of gains and losses pertaining to the helicopter disposal</i>			
Accrued Prepayments	12009	8,843	
Software Licensing Fees	54352		8,843
<i>To correct miss-post of JN # DEC2019-0404-80-GL</i>			
Accrued Prepayments	12009		857
Official Travel	50224	857	
<i>To accrue to various travel expenses</i>			
Fixed Assets Mass Additions	17020	46,504	
Accruals - Other	20150		293,997
Official Travel	50224	1,378	
Official Travel	50224	8,400	
Other Dietary Supplies	50620	377	
Other Dietary Supplies	50620	279	
Uniforms	50960	277	
Uniforms	50960	478	
Vehicle Fuel and Oil	50961	69	
Paper and Printing	50964	5,502	
Office Supplies	51001	49	
Office Supplies	51001	2,195	
Telephone Charges	51430	249	
Telephone Charges	51430	255	
Local Telephone Charges	51445	1,200	
Professional Fees	54256	16,945	

Professional Fees	54256	14,841	
Maintenance - Buildings	54316	7,336	
Maintenance - Aircraft	54318	4,700	
Maintenance - Aircraft	54318	9,247	
Maintenance - Aircraft	54318	2,900	
Maintenance - Aircraft	54318	43,620	
Computer Software Maintenance	54351	23,596	
Security Services	54403	25,488	
Investigations / Post mortem	54406	4,425	
Investigations / Post mortem	54406	20,745	
Investigations / Post mortem	54406	1,417	
Investigations / Post mortem	54406	2,000	
Investigations / Post mortem	54406	207	
Forensic Services	54451	49,119	
Police Band	57153	200	
<i>Various accruals based on invoiced received</i>			
Accruals - Other	20150	18,338	
Printing - Other	51051		18,338
<i>Reversal of duplicate entry</i>			
Accruals - Other	20150		2,700
Duty Allowance	50031	2,700	
<i>Additional duty allowance accrual based on updated information</i>			
Accrued - Salary & Wages	22107	43,115	
Prior Period Adjustment	32006		4,392
Overtime	50013		38,915
Leave Passages	50204	192	
<i>Cash Grant Accrual, Adjusting OT for Dec18 based on Jan19 Payroll, Transfer of CBC overtime duplication reversal</i>			
Surplus Payable	23422		911,292
Prior Period Adjustment	32006	637,000	
Surplus Repayment	32007	274,292	
<i>Reclassification of surplus payable</i>			
Accruals - Other	20150	289,349	
Settlement of Case	58604		289,349
<i>Adjustment to provision based on updated legal letter</i>			
Vehicles	17070	2,098,819	
Accumulated Depreciation	17075		1,451,683
Office Equipment	17130	36,868	
Accumulated Depreciation	17135		18,332

Other Plant & equipment	17140	553,101	
Accumulated Depreciation	17145		459,665
Other Assets	17150	26,219	
Accumulated Depreciation	17155		4,370
Accumulated Impairment Reserve	17165		647,136
Accumulated Impairment Reserve	17165		93,436
Accumulated Impairment Reserve	17165		21,849
Accumulated Impairment Reserve	17165		18,536
Opening Balance – Net Worth	32004		780,958
Gain/Loss on Disposal	59002	780,958	

Recognition and impairment of HM Customs assets on transfer, including Mobile scanners, Works on site works-CDC scanner site, K9 Dogs and Other assets

13,339,115	13,339,115
-------------------	-------------------