



## **THE PORT AUTHORITY OF CAYMAN ISLANDS**

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**Report to those charged with governance on the 2020 audit**

**June 2021**

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

# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the 31 December 2020 financial statements of the Port Authority of the Cayman Islands (The “Port Authority” or “Authority”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Port Authority 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 financial statements for 2020 financial years 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 (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).

## 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.

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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. 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, in documents containing audited financial statements, we shall read the other information contained in the Port Authority'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 Port Authority. We have not reviewed any other documents containing 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 Port Director 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 opinion with an emphasis of matter for the 2020 financial statements.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The total gross adjustments made amounted to \$80.0k for the 2019 financial year.

A summary of uncorrected misstatements identified by us during the audits is attached in Appendix 2. Management has determined these misstatements to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total of these misstatements is \$83.0k

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.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Port Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Port Authority to make accounting estimates and judgments about accounting policies and financial statement disclosures. Except as noted in our audit report, 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 Port Authority's financial statements.
12. Other 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. Management have made significant judgments and estimates with regard to the following financial statements items:
  - Depreciation of Fixed Assets
  - Provisions for Doubtful Debts on Receivables
  - Post-Employment Health Benefit Liability
  - Fair value of Property Plant and Equipment
  - Fair value of Investment Property.

### GOING CONCERN DOUBTS

14. The reporting of the post-employment liability had a significant impact on the financial results of the Port Authority. This led to the Port Authority reporting a total comprehensive loss of \$12.0million after recognizing an actuarial loss due to the re-measurement of the defined benefit obligation of \$8.0million.

### MATERIAL WEAKNESSES IN INTERNAL CONTROL

15. We identified a number of significant matters relating to internal controls as part of our audit. See appendix 3 for detailed listing of these matters along with management responses to these.

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## 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 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.

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## SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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## DISAGREEMENTS WITH MANAGEMENT

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

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## ANY OTHER SIGNIFICANT MATTERS

21. There were no other significant matters noted during the audit other than those disclosed in Appendix 3.

## ACKNOWLEDGEMENTS

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

Yours Sincerely,



Sue Winspear, CPFA  
Auditor General

25<sup>th</sup> June 2021

## APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

	Net Debit	Net Credit	Net
Assets	-	(72,288)	(72,288)
Liabilities	-	-	-
Equity	-	(20,480)	(20,480)
Revenue	-	-	-
Expenses	92,768	-	92,768
<b>Total</b>	<b>92,768</b>	<b>(92,768)</b>	<b>-</b>

Date	Name	Account No	Debit	Credit
12/31/2020	Prepaid Expenses	01-17200-000-00		(71,274)
12/31/2020	CDC General and Computer Supplies	01-75000-112-07	71,274	
<i>Adjustment to recognize expenses previously not recognized</i>				
12/31/2020	Prepaid Insurance	01-17100-000-00		(9,246)
12/31/2020	Accruals	01-20200-000-00	50,153	
12/31/2020	Insurance - Operations Day / Night	01-76000-110-00		(31,089)
12/31/2020	Insurance - Operations Cruise / Security	01-76000-130-00		(8,181)
12/31/2020	Insurance - Finance	01-76000-200-00		(1,227)
12/31/2020	Insurance - Administration	01-76000-300-00		(409)
<i>Entry to adjust the overstatement of the insurance expense</i>				
12/31/2020	R.B.C. CI\$ Current Account	01-15150-000-00	25,780	
12/31/2020	R.B.C. CI\$ Current Account	01-15150-000-00	2,883	
12/31/2020	Accounts Payable (A/P Control)	01-20100-000-00		(25,780)
12/31/2020	Bank Charges	01-74700-300-00		(2,883)
<i>Entry to reverse incorrect entries</i>				
12/31/2020	R.B.C. US\$ Current Account	01-15200-000-00	9,789	
12/31/2020	Agent/Consignee Receivables	01-16100-000-00		(6,865)
12/31/2020	Salary Advances	01-16200-000-00		(2,888)
12/31/2020	Bank Charges	01-74700-300-00		(36)
<i>Correction of miss-posted transactions</i>				
12/31/2020	Inventory of Spare Parts - Crane	03-18500-000-00		(11,714)
12/31/2020	Inventory of Spare Parts - Forklift	03-18600-000-00		(6,335)
12/31/2020	Repairs & Maintenance Forklifts	03-71030-100-00	6,419	
12/31/2020	Repairs and Maintenance Crane	03-71050-100-00	1,357	
12/31/2020	Crane Parts	03-71051-100-00	10,274	
<i>Entry to reverse incorrect entries</i>				
12/31/2020	Deposit / Advance on expenses	01-16301-000-00		(2,265)



12/31/2020	Deposit / Advance on expenses	01-16301-000-00		(152)
12/31/2020	Accounts Payable (A/P Control)	01-20100-000-00	2,265	
12/31/2020	H/D Admin Telephone Cost	01-73030-300-08	152	
<i>Entry to reverse incorrect entries</i>				

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12/31/2020	Salaries - Day Operations	03-70010-110-00		(55,989)
12/31/2020	Professional Fees	03-72100-300-00	55,989	
<i>Reclassification of expenses from staff costs to professional fees</i>				

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12/31/2020	Accruals	01-20200-000-00		(47,118)
12/31/2020	Repairs & Maintenance Dock	01-71000-111-11	175	
12/31/2020	Repairs & Maintenance CDC Property	01-71000-112-07	8,274	
12/31/2020	Repairs & Maintenance RWCT	01-71000-130-02	20	
12/31/2020	Repairs & Maintenance Taxi Dispatch	01-71000-131-09	210	
12/31/2020	Repairs & Maintenance Billing Office Property	01-71000-200-06	4,275	
12/31/2020	Repairs & Maintenance H/D Admin Building	01-71000-300-08	6,171	
12/31/2020	North Terminal-Repairs and Maintenance	01-71001-111-01	48	
12/31/2020	Maintenance of CDC Office	01-71001-112-07	4,552	
12/31/2020	Repairs & Maintenance H/D Forklifts	01-71030-123-11	4,443	
12/31/2020	Repairs and Maintenance - CDC Trucks	01-71040-123-07	1,786	
12/31/2020	Miscellaneous - Day/ Night Operations	01-72400-110-00	1,287	
12/31/2020	H/D Admin Telephone Cost	01-73030-300-08	561	
12/31/2020	CDC CleaningSupplies	01-74001-112-07	1,051	
12/31/2020	North Terminal Cleaning Supplies	01-74001-130-01	785	
12/31/2020	RWCT Cleaning Supplies	01-74001-130-02	1,543	
12/31/2020	South Terminal Cleaning Supplies	01-74001-130-03	785	
12/31/2020	Spotts Cleaning Supplies	01-74001-130-04	80	
12/31/2020	Taxi Dispatch Cleaning Supplies	01-74001-131-09	148	
12/31/2020	Advertising	01-74500-300-00	500	
12/31/2020	Professional Association Membership Dues	01-74550-300-00	2,547	
12/31/2020	Bank Charges	01-74700-300-00	1	
12/31/2020	CDC General and Computer Supplies	01-75000-112-07	2,145	
12/31/2020	Billing Office General and Computer Supplies	01-75000-210-06	503	
12/31/2020	H/D Admin General and Computer Supplies	01-75000-300-08	5,231	
<i>Entry to recognize year end accruals</i>				
			<b>283,452</b>	<b>(283,452)</b>

## APPENDIX 2 – SUMMARY OF UNADJUSTED DIFFERENCES

	Net Debit	Net Credit	Net
Assets	-	(86,530)	(86,530)
Liabilities	-	-	-
Equity	48,070	-	48,070
Revenue	-	-	-
Expenses	38,460	-	38,460
<b>Total</b>	<b>86,530</b>	<b>(86,530)</b>	<b>-</b>

Date	Name	Account No	Debit	Credit
12/31/2020	General Reserve	01-30100-000-00	35,000	
12/31/2020	CDC Day Security	01-72000-115-07		(35,000)
<i>Entry to recognize prior year expenses</i>				
12/31/2020	General Reserve	01-30100-000-00	13,070	
12/31/2020	Miscellaneous - Day/Night Operations	01-72400-110-00		(13,070)
<i>Entry to adjust for 2019 expenses inappropriately recorded in 2020</i>				
12/31/2020	Allowance for doubtful debts	01-16500-000-00		(86,530)
12/31/2020	Bad Debts	01-74650-100-00	86,530	
<i>Proposed adjustment to increase the allowance for doubtful debts</i>				
			<b>134,600</b>	<b>(134,600)</b>

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

Category	Audit Finding	Management Response
<p><b>Example of non-compliance with the <i>Port Authority Act (1999 Revision) and the Port Regulations (2020 Revision)</i>.</b></p> <p><b>a) Incorrect rate applied for the calculation of Cargo Dues.</b></p> <p>Section 116 (4) of the <i>Port Regulations (2020 Revision)</i> – Cargo Dues states as follows:</p> <p><i>Cargo dues shall be calculated at forty cubic ft. or two thousand lbs. per ton, landed or loaded, whichever is applied by the Authority at the following rates (Per ton) —</i></p> <p>(a) Imports (other than gasoline, diesel, aviation gas, aviation jet fuel, and cargo contained in a trailer or container) \$16.65</p> <p>(b) Exports (other than gasoline, and cargo contained in a trailer or container) \$16.65</p> <p>(c) Gasoline (imports or exports) \$10.55</p> <p>(d) Exports of cargo contained in a trailer or container (other than recycled material) \$16.65</p> <p>(e) Imports of diesel, aviation gas and aviation jet fuel \$3.52</p> <p>(f) Recycled material exported for profit \$4.00.</p> <p>The OAG noted that the Port Authority applied the rate of \$3.53 for the calculation of Cargo Dues payable with respect to Propane as opposed to the rate of \$16.65. The rate of \$3.53 is applicable only to diesel, aviation gas and aviation jet fuel.</p>	<p><b>Risk/Implication:</b></p> <p>Non-compliance with <i>Port Authority Act (1999 Revision) and the Port Regulations (2020 Revision)</i>. This could lead to the Port Authority charging customers incorrect fees.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that the Port is in compliance with the <i>Port Authority Act (1999 Revision) and the Port Regulations (2020 Revision)</i>.</p>	<p>Finding accepted. The correct fee has been applied to the importer who imports propane by ISO tanks, but was not applied in error to the importer of bulk propane. A letter has been sent to the bulk importer informing them of the issue and that with immediate effect the new rate will apply. Please see the attached letter. We are grateful for the audit discovering this.</p>
<p><b>b) Incorrect calculation method with respect to Excess Storage Fees.</b></p> <p>The OAG notes that the Port Manager System calculation for Excess storage fees has built in minimum values for both size/weight and for consequently for the amount billed. The minimums rates were applicable for the previous versions of the <i>Port Regulations</i> but are however not applicable as per the current <i>Port Regulations (2020 Revision)</i>. The Port Manager System calculation method was updated for GCM effective October 2019 but was not updated in CYB Port Manager System therefore the excess storage transactions in the CYB still have the minimum rates applicable them.</p>	<p><b>Risk/Implication:</b></p> <p>Non-compliance with <i>Port Authority Act (1999 Revision) and the Port Regulations (2020 Revision)</i>. This could lead to the Port Authority charging customers incorrect fees.</p> <p><b>Recommendation:</b></p> <p>Management should ensure that the Port is in compliance with the <i>Port Authority Act (1999 Revision) and the Port Regulations (2020 Revision)</i>.</p>	<p>Finding accepted. Port Manager for CYB was corrected on July 29, 2020 to remove the minimum rates for storage charges.</p>