



THE PORT AUTHORITY OF CAYMAN ISLANDS

Report to those charged with governance on the 2022 audit

25 July 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 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 2022 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 (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.

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 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, 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 on the 2022 financial statements with an emphasis of matter on non-compliance with The Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. The total gross adjustments made amounted to \$2.35 Million comprised of audit adjustments of \$402.8 thousand and client adjustments of \$1.95 Million which resulted to an increase in net loss of \$3.79 Million for the year ended 31 December 2022.

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 aggregate, to the financial statements taken as a whole. The total impact of these misstatements is a decrease of net assets by \$32.3 thousand.

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 gain of \$16.04 Million after recognizing an actuarial gain due to the re-measurement of the defined benefit obligation of \$18.34 million.

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.

16. We note in response to our observation about excessive Christmas party expenses, management has stated this was approved by the Board. However, we noted this approval is not documented in the Board minutes. This is a weakness in governance. It is essential that decisions are documented.

FRAUD OR ILLEGAL ACTS

17. 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.
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.

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

ANY OTHER SIGNIFICANT MATTERS

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

ACKNOWLEDGEMENTS

23. 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,



.....

Angela Cullen, CPFA
Acting Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED DIFFERENCES

1. Audit Adjustments

Ref no	Description	Debit	Credit
1	Prepaid Expenses Accounts Payable (A/P Control) <i>To correct prepayment related to 2023 payment</i>	77,408.39	77,408.39
2	Fixed Assets Clearing Deposit / Advance on Expenses Entertainment - Administration <i>To expenses employee entertainment expense incurred but sitting under Deposit / Advance and reclassify equipment installation costs recorded under deposits (Project completed in FY 22).</i>	21,560.00 18,500.90	40,060.90
3	Miscellaneous Receivables Other Miscellaneous Income <i>To correct receivables payments posted under Miscellaneous Income</i>	49,766.00	49,766.00
4	Provision for Bad Debts Bad Debt <i>To fully provide for unsupported Misc. Receivable deemed not recoverable.</i>	39,168.00	39,168.00
5	Agent/Consignee Receivables Rental Income - RWT Special Fu <i>To accrue for Kenny Rankine (Group) Rental revenue not billed</i>	13,000.00	13,000.00
6	Plant and Vehicles- CDC Acc. Deprec. Plant and Vehicles- CDC Other Miscellaneous Income Disposal of Fixed Assets <i>Adjustment for disposal of PPE (Plant and Vehicles)</i>	72,132.32 33,050.00 11,505.00	116,687.32
7	R.B.C. CI\$ Current Account Accounts Payable (A/P Control) <i>Being adjustment for the duplicate entry for payment to ALT on September 7 2022 not captured during reconciliation</i>	11,291.50	11,291.50
8	R.B.C. US\$ Current Account Agent/Consignee Receivables <i>Being correction of overstated cash balance due to System error</i>	16,803.32	16,803.32
9	CNB CI\$ Current Account Clearing Account CI\$ <i>Being reallocation of long outstanding clearing account balance</i>	24,845.91	24,845.91

Ref no	Description	Debit	Credit
	Accruals		13,787.50
10	Professional Fees <i>To accrue outstanding legal fees not billed at YE</i>	13,787.50	
	Sub total	402,818.84	402,818.84

2. Client Adjustments

Ref no	Description	Debit	Credit
	Inventory of Truck Tires	8,825.64	
	Inventory of Forklift Tires		2,022.33
	Inventory of Vehicle Tires	0.09	
1	Inventory of Crane Parts		79,107.78
	Inventory of RTG Crane Parts		2,503.80
	Inventory of Forklift Parts	17,215.54	
	Inventory of Truck Parts		376.10
	Inventory of Misc Shop Parts	13,362.74	
	Inventory of Navigational Supplies	5,342.52	
	Inventory of Engine Parts	10,270.25	
	Repairs & Maintenance CDC Forklifts	1,011.17	
	Repairs & Maintenance H/D Forklifts	1,011.17	
	Forklift Parts CDC		8,607.77
	Forklift Parts CDC		2,672.55
	Forklift Parts H/D		8,607.77
	Forklift Parts H/D		2,672.55
	Forklift Parts H/D		2,054.05
	Parts - CDC Trucks	376.10	
	Parts - CDC Trucks		2,672.55
	Parts - CDC Trucks		2,054.05
	Tires & Tubes - CDC Trucks		8,825.64
	Tires & Tubes - CDC Trucks		0.09
	Crane Parts H/D	79,107.78	
	Crane Parts H/D		2,672.55
	Crane Parts H/D		2,054.05
	Parts - RTG Cranes CDC	2,503.80	
	Parts - RTG Cranes CDC		2,672.55
	Parts - RTG Cranes CDC		2,054.05
	Maintenance of Navigational Aids		5,342.52
	Oils/Lubrications/Greases/Etc		2,054.05
	<i>To adjust GP inventory balance to physical count - Additional Parts usage</i>		
<hr/>			
	Overtime - Day Operations	618.06	
	Overtime - Night Operations	117,057.59	
	Recoverable Overtime - Night Operations		117,057.59
2	Recoverable Overtime - Night Operations		618.06
	Overtime - Day Operations	2,460.90	
	Recoverable Overtime - Day Operations		2,460.90
	<i>To reallocate regular overtime out of recoverable overtime</i>		
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Ref no	Description	Debit	Credit
	Accruals		24,203.00
3	Pension - Day Operations	6,090.00	
	Pension - Night Operations	18,113.00	
	<i>To accrue for Pension Payable on December Wages Accrual</i>		
<hr/>			
	Accruals		42,657.49
	Salaries - Day Operations	2,319.16	
4	Salaries - Day Operations	898.65	
	Salaries - Day Operations		4,422.94
	Salaries - Night Operations	2,478.33	
	Salaries - Night Operations		175.08
	Salaries - Cruise / Security	5,157.30	
	Salaries - Cruise / Security	5,007.41	
	Salaries - Cruise / Security	4,975.02	
	Salaries - Finance and Facilities	2,427.40	
	Salaries - Finance and Facilities	3,645.71	
	Salaries - Finance and Facilities	4,138.22	
	Salaries - Administration	16,208.31	
	<i>Being additional vacation accrual for GCM admin salaries & wages</i>		
<hr/>			
	Accruals		4,265.75
	Pension - Day Operations	231.92	
5	Pension - Day Operations	89.87	
	Pension - Day Operations		442.29
	Pension - Night Operations	247.83	
	Pension - Night Operations		17.51
	Pension - Cruise / Security	515.73	
	Pension - Cruise / Security	500.74	
	Pension - Cruise / Security	497.50	
	Pension - Finance and Facilities	242.74	
	Pension - Finance and Facilities	364.57	
	Pension - Finance and Facilities	413.82	
	Pension - Administration	1,620.83	
	<i>Being additional pension accrual on GCM admin & wages vacation accrual</i>		
<hr/>			
	Deposit on Equipment		11,694.00
6	Repairs & Maintenance Dock	11,694.00	
	<i>Entry to expense the cost of tiling the Dock lunch room</i>		
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Ref no	Description	Debit	Credit
	Accruals		1,600,000.00
	Salaries - Day Operations	215,624.00	
7	Salaries - Night Operations	58,432.00	
	Salaries - Cruise / Security	416,950.00	
	Salaries - Finance and Facilities	362,458.00	
	Salaries - Administration	385,291.00	
	Salaries - Finance	161,245.00	
	<i>To accrue for the Hours Worked Without Compensation</i>		
	Sub total	1,947,041.41	1,947,041.41
	TOTAL	2,349,860.25	2,349,860.25

APPENDIX 2 – SUMMARY OF UNADJUSTED DIFFERENCES

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
Unrecorded - factual						
1	To correct completed repairs and maintenance recorded under Deposit on Equipment	16,748.26	-	-	-	16,748.26
2	To reverse the accrual of Jan to Nov 2023 Rent on warehouse -Block 14BH Parcel 135 George Town Central Block, as the expense had not been incurred as at 31st December 2022	36,667.00	36,667.00	-	-	-
3	To correct unreconciled difference	15,525.00	-	-	15,525.00	-
		<u>68,940.26</u>	<u>36,667.00</u>	<u>-</u>	<u>15,525.00</u>	<u>16,748.26</u>
	Understated/(Overstated)	<u>68,940.26</u>	<u>36,667.00</u>	<u>-</u>	<u>15,525.00</u>	<u>16,748.26</u>

APPENDIX 3 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Audit Finding	Risk/implication	Management Response	Implementation Date						
<p>Non-compliance with Procurement Regulations for goods and services (Contracted services)</p> <p><i>Section 5 of the Procurement Regulations 2022 provide criteria to be met before a direct procurement award is used.</i></p> <p>Port Authority follows the Procurement Act 2016 and Procurement Regulations to undertake its procurement. We noted that the Authority contracted services using a direct award, without a satisfactory basis as required by section 5 of the Procurement Regulations.</p> <p>We further noted that some vendors were paid amounts in aggregate per annum that were above the procurement threshold with no proper basis for direct awards.</p> <p>See the list below</p> <table border="1" data-bbox="205 1057 779 1214"> <thead> <tr> <th>Vendor</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Cleaning Services*</td> <td>330,471</td> </tr> <tr> <td>Legal Attorney**</td> <td>221,093</td> </tr> </tbody> </table> <p>*The company is on a month to month contract and it is stated that procurement process is underway and is expected to be completed in Q3.</p>	Vendor	Amount	Cleaning Services*	330,471	Legal Attorney**	221,093	<p>Risk/ Implication</p> <p>Non-compliance with the Procurement Act 2016 and Procurement Regulations 2018. This may lead to fraud and lack of value for money in the use of public funds.</p> <p>Recommendation</p> <p>Management should ensure that all direct awards are justifiable in accordance to the provision of the Act and or competitive procurement process is followed for all contracts awarded.</p>	<p>The janitorial procurement is in progress. The cleaning services has been tendered and the Port is currently receiving bids from various vendors. A vendor will be selected at the end of this process and a contract sign.</p> <p>The legal procurement was completed in June 2023 and a contract signed with the winning bidder.</p>	<p>July 2023</p>
Vendor	Amount								
Cleaning Services*	330,471								
Legal Attorney**	221,093								

<p>** Port Authority has never procured legal services via open recruitment before the advent of the procurement legislation nor after. The current legal attorney has been the legal advisor of the Port Authority for several years and they are used whenever the need arises.</p>			
<p>Unaccounted for difference in inventory balance due to controls breakdown</p> <p>OAG noted that the value of inventory as per year end physical inventory count was lower by CI\$ 578,105 as compared to the accounting system records. Management corrected this error by posting journals for additional usage of parts spread evenly over the 12-month period from January 2022 to December 2022. There is no supporting documents to confirm if the Port Authority actually used these parts.</p> <p>There was no approval of the write off for this balance. In the review of board minutes, we have not seen this matter being discussed for the write off of the unaccounted inventory balance.</p> <p>Deficiencies in inventory management</p> <p><i>i. Inventory items classified as consumables based on the frequency of usage</i></p> <p>Items valued at CI\$28,058 were counted as stock items during the yearend inventory count procedures. These were removed from inventory for the reasons that they were consumables. In scanning through the inventory valuation report,</p>	<p>Risk/Implication (1): Likelihood of inventory loss due to theft which may lead to wastage and misuse of public funds.</p> <p>Recommendation (1): Management should ensure periodic reconciliations of inventory and maintain proper documentations for its usage.</p> <p>Risk/Implication (2):</p> <p>i. Lack of proper controls & completeness of inventory. ii. Overstatement of inventory balance due to obsolete items.</p> <p>Recommendation (2): Management should do the following: i. Separate consumables and inventory and reconcile the general ledger on periodic basis; ii. Ensure stock items purchased first are issued first to comply with the</p>	<p>The matter was explained to the Board who gave their consent.</p> <p>Notwithstanding that, The Port has additional human resources and thus periodic (quarterly) reconciliations will be done to prevent a reoccurrence of this in the future</p>	<p>September 2023</p>

<p>we could identify some of these items considered as consumables were in fact parts.</p> <p><i>ii. Allowances for obsolescence</i></p> <p>The Port Authority uses the FIFO method in inventory management. We noted that there are several items in stock which have been in the warehouse for up to 16 years back. The Port Authority has kept some stock items to meet the need of repairs and maintenance that may arise. However, due to specialty nature of the port, were unable to substantiate if the items are still fit for use or a provision for obsolescence was required for the year ended 31 December 2022.</p>	<p>accounting policy and avoid any inventory loss due to obsolescence.</p>		
<p>Error in the Great Plain (GP) Accounting System in translating foreign currency to KYD</p> <p>We noted that the Great Plains Accounting system erroneously translated USD to KYD as 1USD\$/1CI\$ instead at 0.82 rate used by Port Authority. Due to this, RBC USD account balance at the yearend was overstated by (\$19,923).</p> <p>A total of 55 transactions were affected during period.</p>	<p>Risk/Implication: Misstatement of cash balance in the financial statements.</p> <p>Recommendation: Management should monitor the exchange rate tables and also ensure monthly bank reconciliations are performed on timely manner to capture any error that may come up.</p>	<p>GP Dynamics support team investigated the matter and determined that it was a bug with the Microsoft integration. The matter was resolved. Management will ensure that bank reconciliations are done in a timely manner.</p>	<p>Implementation of notification system to finance Dept when new rates entered in GP – in July 2023</p>
<p>Excessive Christmas party expenses</p> <p>We noted that CI\$ 56,522 was spent on 2022 Port Authority of the Cayman Islands Christmas party. CI\$6,000 alone was paid for fireworks. This expenditure was approved by the Port Director.</p>	<p>Risk/Implication: Lack of value for money in spending.</p> <p>Recommendation:</p>	<p>This was approved by the Board of Directors prior to the expenditure being undertaken. This will be closely monitored going forward</p>	<p>These will continue to be taken to the board for approval prior to the</p>

<p>In comparing to the civil service, Cayman Islands Government approved CI\$ 40 per person as Christmas stipend for 2022. The amount spent by Port Authority is many times above that and deemed to be excessive taken in the context of public sector.</p>	<p>The Port Authority should spend wisely in ensuring expenses paid for entertainment are reasonable and should be aligned with the average spending approved by the government.</p>		<p>expenditure being committed.</p>
<p>Inconsistencies between the number of Cruise passengers.</p> <p><i>Section 129 (8) of the Port Regulations (2022 Revision) - Miscellaneous charges, stipulates that owners or the agent of every ship shall pay to the Authority a wharfage fee of \$2.46 for every passenger appearing on the manifest.</i></p> <p>We noted inconsistencies between the Cruise ship passengers as provided by management (736,382), per Port Authority’s website (747,940) and per Department of Tourism’s website (743,394). Additionally, the revenue recognized in the period was different from the expected revenue based on the above numbers. No reconciliation for the numbers was provided.</p>	<p>Risk/ Implication</p> <p>Inconsistencies in financial information could result to revenue leakages, error and lack of integrity in the financial information. This may influence to wrong decisions to the users of financial statements.</p> <p>Recommendation:</p> <p>Management should ensure that there is consistency in financial information and that accounts are reconciled for any variances.</p>	<p>Noted. Management will implement a system to reconcile both numbers on a quarterly basis.</p>	<p>September 2023</p>
<p>Non-compliance with Section 47 of the Public Authority Act (PAA)</p> <p>Section 47(1) of the PAA requires all statutory authorities and Government Companies to comply with its requirements to standardize salaries and benefits.</p>	<p>Risk/ Implication</p> <p>Non-compliance with acts and regulations and potential for staff to be on incorrect pay grades.</p> <p>Recommendation</p>	<p>This project is ongoing. Expected to be completed by the end of the 2024 financial year.</p>	<p>December 2024</p>

<p>The 2022 audit opinion included an emphasis of matter paragraph in relation to the non-compliance with the PAA section 47. The Cayman Islands Government’s Portfolio of the Civil Service completed the salary assessment in the current year noting the following:</p> <ul style="list-style-type: none"> • <i>The majority of Port employees are above the prescribed scale as per the POCs evaluation.</i> • <i>For the positions evaluated, only 2 employees are below the prescribed scale.</i> <p>As at 31 December 2022, the standardization process was still ongoing.</p>	<p>Management should ensure compliance with applicable acts and regulations; in particular, ensure that the standardization process is implemented.</p>		
<p>Lack of board resolution to approved rental income rate used after March 2022.</p> <p>We noted that there was no Board resolution to approve the rental rate used between April – November. While management confirmed that Board approval was required for the adoption of the new rental rates, and the rates had been approved by both the Audit and Risk Committee and the Board of Directors, both Office of the Auditor General and Management were not able to trace the resolution in the approved minutes. We further noted that the Audit and Risk Committee were aware of Management and Lawyers conversation on the Lease terms.</p>	<p>Risk/ Implication Lack of Board resolutions to support management decision exposed Port Authority to reduced oversight. Additionally, lack of proper documentation of all Board resolutions denies Port Authority’s stakeholders access to full information for decision making.</p> <p>Recommendation Management should ensure that written Board approval is obtained for decisions that require Board approval. Additionally, the Board should ensure that all resolutions are included in the Board minutes before approving the minutes.</p>	<p>Management will ensure that decisions are supported by written and approved resolutions by the Board.</p>	<p>December 2023</p>

<p>Lack of duly signed lease agreements.</p> <p>We noted that seven lease agreements for tenants were not duly signed.</p> <p>We understand that management is in the process of signing five years lease agreements with the tenants.</p>	<p>Risk/Implication:</p> <p>The Port Authority is exposed to risk in the event of dispute over the terms of lease to customers without any legally binding agreements.</p> <p>Recommendation:</p> <p>Management should ensure that the Port Authority has legally binding agreements with all customers.</p>	<p>All but three lease agreements have been signed. Management expects these to be signed by the end of the 2023 financial year</p>	<p>December 2023</p>
<p>Accounts reconciliation deficiencies</p> <p><i>i. Lack of periodic reconciliation of Miscellaneous Receivables.</i></p> <p>During the audit of accounts receivables, we noted that the reconciliation of Miscellaneous Receivables had not been performed in a couple of years. The reconciliation resulted in a reclassification of CI\$ 50,000 (Payments receipts posted under income) and provisioning of CI\$ 39,000 (balances older than 2019 that the Authority was not able reconcile due to change of the accounting system).</p> <p><i>ii. Bank reconciliations were not done properly</i></p> <p>A difference of CI\$14,433 was noted between the adjusted book balance of RBC CI\$ bank reconciliation and the trial balance. This was as a result of the errors which were not picked during bank reconciliation. This shows ineffectiveness of reviews after the reconciliations are</p>	<p>Risk/Implication:</p> <p>Cash, revenue and receivable could be misstated at year-end leading to wrong decisions by users of the financial statements</p> <p>Recommendation:</p> <p>Management should ensure that periodic i.e. monthly, quarterly, reconciliations of all balance sheet accounts are performed and reviewed.</p> <p>Also, for clearing accounts, management should ensure that these accounts are cleared and reconciled to nil at year end.</p>	<p>This has been addressed. The Port has additional human resources on the finance team, hence this will be done and closely monitored going forward.</p> <p>Noted. This will be addressed in the 2023 financial year.</p>	<p>September 2023</p> <p>September 2023</p>

<p>completed. This difference was adjusted to correct the resulting misstatement.</p> <p><i>iii. Reconciling items outstanding for over 6 months</i></p> <p>We observed in the reconciliation of RBC KYD account there were reconciling items that are over 6 months. However, while these items are immaterial (CI\$8,020.96), a cleanup is needed.</p> <p><i>iv. Balances with clearing accounts</i></p> <p>We noted that a balance of CI\$25,758 was recorded in one of the clearing accounts at year end. Substantial balance of this account was adjusted after our audit procedures. Other clearing accounts had immaterial balances. Although the balances held in these accounts are minimal, these accounts should be cleared and reconciled to nil at year end.</p>			
<p>Lack of notice of interest declarations and declarations made after the year end.</p> <p>No declarations were made by two members of the board.</p> <p>We observed that Port Authority declare notice of interests after the end of the financial year. 2022 Declarations were made in January 2023. The Authority does not have any other system in place to verify related party relationships or track potential conflict of interests that may exist during the period.</p>	<p>Risk/Implication:</p> <p>Failure to capture and identify conflicts on related party transactions by key management personnel or board member who may leave before the end of the year. Also, there is a chance for partial disclosure of transaction resulting to non-compliance with International Financial Reporting Standards.</p> <p>Recommendation:</p>	<p>The Port Authority will endeavor to have all declaration of interest forms completed in a timely manner</p>	<p>December 2023</p>

	Management should establish a system to manage related party risks effectively and on timely manner.		
<p>No IT strategy and IT risk assessment</p> <p>The Port Authority does not have a formal IT Strategy/Plan, but instead the IT manager, formulates plans which are generally referred to as goals. These goals come from each department's requirements for IT on a long-term basis prepared a year in advance of implementation. In addition, the Port Authority has not conducted an IT risk assessment.</p> <p>We were told that this was due to the effects the COVID pandemic had on revenue. Moreover, Port Authority stated that the IT Department will conduct the risk assessment in 2023.</p>	<p>Risk/Implication: Employees losing sight of the organizations' overall aim/goals; significant risk(s) not being identified/addressed.</p> <p>Recommendation: Management should ensure that Port Authority puts together an IT strategy (and keep its alignment with business goals), together with completing IT risk assessment.</p>	<p>Accepted.</p> <p>The IT department will be seeking consultants to provide a risk assessment, audit, and review of policies, procedures and strategies.</p>	<p>4th quarter 2023.</p>
<p>Change Management deficiencies in Port Manager</p> <p>Management has identified during the 2020 audit that having a two tier (program change separate from review/approve) is difficult to accomplish because only the IT Manager has the working experience in programming for the Port Manager (we were told that the original installation is in 2002). In addition, records are not being retained relating to the initiation, testing and completion of the changes. The IT Manager however generated a list of changes</p>	<p>Risk/Implication: The non-formalization of the detective control result in the risk of lack of segregation of duties.</p> <p>Recommendation: Management should ensure that the detective control established to address the risk of segregation of duties is formalized.</p>	<p>Rejected</p> <p>There is currently no way to segregate the duties due to lack of programmer resources. Learning to code in Delphi (the language Port Manager is developed in) is not a simple matter due to its relative obscurity. However, all changes are fully captured by the source control system and documented in release</p>	<p>N/A</p>

from the Apache Subversion application used to monitor the changes.		notes sent via email and available within the application itself	
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