MINISTRY OF TOURISM AND TRADE DEVELOPMENT

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2025 AUDIT

JULY 2026

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 2025, financial statements of the Ministry of Tourism and Trade 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 them to take 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 2025 financial statements that we consider 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*), it is the policy of the Office of the Auditor General to proactively release all final reports through our website: www.auditorgeneral.gov.ky.

AUDITOR'S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR'S RESPONSIBILITY UNDER INTERNATIONAL STANDARDS ON AUDITING (ISAs)

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 that came to our attention during the performance of our audit.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter dated 21 August 2025. 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 have read the other information contained in the Ministry's annual report and noted that it is materially consistent with information appearing in the financial statements or our knowledge of the operations of the Ministry. We have not reviewed 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 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 audit report with an emphasis of matter on the 31 December 2025 financial statements. The emphasis of the matter concerns the Cabinet's authorisation of supplementary appropriations for the Ministry under Section 11(5) of the *Public Management and Finance Act (2020 Revision)* ("PMFA"), thereby increasing the 2025 operating budget by $2,000,000. However, a supplementary Appropriations Bill to effect this budget change was not introduced into Parliament by 31 March 2026, as required by section 11(6) of the PMFA.

9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. A summary of unadjusted misstatements is attached in Appendix 2. There were five audit adjustments valued $406,376 and one unadjusted misstatement valued $133,031.

10. As part of the completion of our audit, we obtained written representations from management on aspects of the accounts, judgments, and estimates made. These representations were provided to us on 24 April 2026.

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.

12. Generally accepted accounting principles provide for the Ministry to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are, however, not aware of any new or controversial accounting practices reflected in the Ministry's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. Management has made significant judgements and estimates with regard to the following financial statement item:

- Depreciation of property, plant and equipment - $59,000
- Provisions and contingent liabilities - $120,000
- Right of use assets - $687,000
- Lease liabilities - $879,000
- Depreciation of right of use assets - $332,000

GOING CONCERN DOUBTS

14. As a result of our audit, we did not become aware of any events and conditions that may cast significant doubt on the Ministry's ability to continue as a going concern.

INTERNAL CONTROL MATTERS AND SIGNFICANT FINDINGS

15. Internal control matters and significant findings are noted in Appendix 3, along with management's response.

FRAUD OR ILLEGAL ACTS

16. 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, under the oversight of those charged with governance, places a strong emphasis on fraud prevention and deterrence.

17. They are also responsible for establishing and maintaining controls pertaining to the Ministry'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. When exercising oversight responsibilities, those charged with governance should consider the potential for management to override controls or exert 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.

19. 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.

20. No fraud or illegal acts came to our attention as a result of the 2025 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

21. No difficulties were encountered in the performance of our audit.

DISAGREEMENTS WITH MANAGEMENT

22. There was a disagreement with management regarding the classification of the ISDHF museum artefacts. Management asserts that these artefacts should be classified as executive assets. However, based on the audit evidence provided during the audit, OAG's assessment is that the artefacts meet the definition of entity assets. The value of these artefacts has therefore been treated as an uncorrected adjustment (refer to Appendix 2).

ANY OTHER SIGNIFICANT MATTERS

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 Tourism and Trade Development for their help and assistance during the audit of this year's financial statements. This enabled us to provide an audit report within the agreed timetable.

Yours Sincerely,

Angela Cullen, CPFA
Acting Auditor General

APPENDIX 2 – SUMMARY OF ADJUSTED MISSTATEMENTS

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/OAG)
1	Advertising	54211	44,231		
	Accruals- Other	20150		44,231	OAG
	To recognise unrecorded liabilities/expenses				
2	Official Travel- Expenses	50224	64,346		
	Advertising	54211	16,963		
	Entity Bank Charges	54277	185		
	Hospitality	54302	1,523		
	Public Relations and Publicity	54401	1,343		
	Trade and Industry Promotion	54404	4,383		OAG
	Official Travel Advances	12014		88,743	
	To expense travel payments made for travel that already occurred but were not expensed.				
3	Prior Period Adjustments	32006	192,062		
	Official Travel - Expenses	50224		43,179	
	Advertising	54211		81,509	OAG
	Programme Services	54400		22,089	
	Trade and Industry Promotion	54404		25,125	
	Marketing Services	54419		20,160	
	To adjust for 2024 transactions expensed in 2025				
4	Prior Period Adjustments	32006	25,403		
	Special Allowances	50021		25,403	OAG
	To adjust for the 2024 bonus expensed in 2025				

Number	Account description and adjustment details	Account Number	Debit	Credit	Identified by: (Client/OAG)
5	Long-term lease liabilities	29704	36,027		
	Accumulated Depreciation	16112	3,720		
	Lease of Site Buildings	58001	16,190		
	Entity lease interest	58200		2,326	OAG
	Prior Period Adjustment	32006		33,024	
	Right-of-use Assets	16105		16,867	
	Depreciation - Right -of-use Assets	60206		3,720	
	To derecognise the lease that did not meet the IPSAS 43 definition of a lease.				
	Total		**406,376**	**406,376**	

APPENDIX 2 – SUMMARY OF UNADJUSTED MISSTATEMENTS

Ref no	Description	Assets	Liabilities	Equity	Income	Expenses
1	Other Non-Current Assets	133,031				
	Prior Period Adjustments			(133,031)		
	The audit team and the Ministry have differing views regarding the appropriate classification of the ISDHF museum artefacts. Management has classified the artefacts as Executive assets, while the audit team considers them to meet the definition of entity assets. As a result of this difference in professional judgement, the value of the artefacts has been reported by the audit team as an unadjusted misstatement.					
	Understated/ (Overstated)	**133,031**	**-**	**(133,031)**	**-**	**-**

APPENDIX 3 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
Financial Management					
Multiple vacancies in the US office We noted that there are currently seven (7) vacant positions in the US office, which include: • US General Manager • Group Specialist • US Sales Manager • Sales Representatives (3 positions) • Sales and Marketing Administrator	**Risk/ Implication** Multiple vacant positions could create operational challenges and increase the risk of excessive concentration of workload, staff burnout, inadequate segregation of duties, delays in performing key controls, and potential delivery gaps. **Recommendation** Management should prioritise assessing the staffing needs of the US office and develop a plan to address vacancies. This should include interim measures to mitigate operational risks when recruitment cannot be completed promptly, as well as succession planning and	N	Y	The Department of Tourism is aware of the vacancies in the US office and have had difficulties in recruiting for the posts due to the salaries not being in line with the current labor market standards, as most of the positions were held by persons for an extended length of time. As such, the Department has entered into an agreement with a third party to review all positions and ensure competitiveness in the job market. This process is expected to take 8 weeks, after which we will commence recruitment. This review will also be done more regularly. The Department has adjusted the workload to be right-sized based on the team we have in place to help	2 out of 7 vacancies will be filled by December 31, 2026. The remainder by June 31, 2027.

Observation	Risk/Implication and Recommendation	Recurring issue (Y/N)	Observation accepted by Management (Y/N)	Management Response	Implementation Date
	knowledge transfer arrangements to reduce dependence on key individuals and support continuity of operations.			mitigate risks and employee burnout. The workplan is continuously reviewed to determine areas that need focus and areas we don't quite need to focus on immediately. The first two positions that will be prioritized for recruitment are the US General Manager and the Sales & Marketing Admin. We continuously review the workplan and determine the areas needed.	