



JUDICIAL ADMINISTRATION

Report to those charged with governance on the 2023 audit

September 2024

*To help the public
service spend
wisely*

TABLE OF CONTENTS

Introduction	1
Auditor’s responsibility under International Standards on Auditing	1
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	2
Significant findings from the audit.....	3
Significant accounting practices	3
Management’s judgments and accounting estimates.....	3
Going concern.....	3
Significant deficiencies in internal control.....	3
Fraud or illegal acts.....	3
Significant difficulties encountered during the course of our audit.....	4
Disagreements with management.....	4
Any other significant matters	4
Acknowledgements	4
Appendix 1 – Summary of unadjusted differences	6
Appendix 2 – Internal control matters & significant findings	7

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 31 December 2023 financial statements of the Judicial Administration (“the Administration”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Administration 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 2023 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 (2021 Revision) it is the policy of the Administration of the Auditor General to release all final reports proactively through our website: 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 Administration 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 Foundation. We are currently reviewing the annual report containing the Administration audited financial statements.

CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

7. Information on the integrity and objectivity of the Administration of the Auditor General and audit staff, and the nature and scope of the audit, were outlined in the engagement letter presented to the Board Chairperson on 4 October 2023, 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 with an emphasis of matter on the financial statements. The emphasis of matter related to the Ministry of Finance not introducing a supplementary appropriation bill in Parliament as of 31 March 2023 as required by section 11(6) of the Public Management and Finance Act, for an additional funding of \$1,200,000.
9. There was one uncorrected misstatement totaling \$4,400 as identified 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 on 29 April 2024.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Administration's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Administration 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. In addition, we are not aware of any new or controversial accounting practices reflected in the Administration's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. There were no matters which required management to make significant judgments or which required significant estimates.

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 Administration's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. Significant deficiencies are noted in Appendix 2.

FRAUD OR ILLEGAL ACTS

15. Applicable auditing standards recognise 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 Administration 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 Administration'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.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

20. As outlined in Note 17 of the financial statements, in 2023, the Cabinet of Ministers authorised supplementary appropriations of \$750K and \$450K for equity injection for the Administration under section 11(5) of the Public Management and Finance Act (“PMFA”). The Ministry of Finance did not introduce a supplementary appropriations bill for the funding in Parliament by 31 March 2024 as required by section 11(6) of the PMFA.
21. There were no other significant matters noted during audit.

ACKNOWLEDGEMENTS

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



Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sue Winspear'.

Sue Winspear, CPFA
Auditor General

APPENDIX 1 – SUMMARY OF UNADJUSTED DIFFERENCES

Date	Name	Account No	Debit	Credit
12/31/ 2023	Computer Software Maintenance	54-35-1	4,396.88	
12/31/ 2023	Computer Software	17-12-0		-4,396.88
	To reverse the capitalised training costs			

APPENDIX 2 – INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management Response and implementation date
<p>1. <u>Failure to account for revenues in line with IPSAS standards.</u></p> <p>IPSAS 9 requires the Administration to recognise revenue in the accounting period in which it is earned. We noted that the Administration bills Cabinet by dividing appropriated amounts by twelve months. The Administration then monitors expenditure towards year end to ensure billings are in line with actual expenditure. However, the Administration reported a surplus of \$260K in the year. Based on the Administration’s cost recovery policy, the expectation was a break-even scenario at year end. OAG noted that a payable to Cabinet with the amount in surplus was recorded.</p>	<p>Risk/ Implication:</p> <p>The Administration is not in compliance with its revenue recognition policy and with the requirements of IPSAS 9. Amounts recorded as revenue earn could be misleading to decision makers and could have a material impact on the financial statements.</p> <p>Recommendation:</p> <p>OAG recommends adherence to the Administration’s cost recovery policy to ensure billing is done only to the extent of cost and in line with IPSAS 9.</p>	<p>Your point is acknowledged. We will attempt to make the necessary changes going forward. We note that it is not always possible to come to a break even position given the timing of receipt of invoices.</p>
<p>2. <u>Non-Compliance with the Procurement Regulations (2022 Revision) (the “Regulations”)</u></p>	<p>Risk/ Implication:</p> <p>The inability to comply with the Procurement Regulations <i>Section 3(b)</i> and lack of a</p>	<p>Your point is acknowledged. The recommendation will be taken on board.</p>

Observation	Risk/Implication and Recommendation	Management Response and implementation date
<p>It was noted during the audit; the Administration awarded a contract to a company for \$115K through a direct award. The Administration did not provide us with evidence of the following (1) Written business case, (2) Entity Procurement Approval, (3) Justification for the direct award as required by the Procurement Regulations <i>Section 3(b)</i> and <i>Section 5(2)</i> for amounts over \$100K but less than \$250K.</p>	<p>business case could lead to achieving less than optimum value for money and could result in a waste of public funds.</p> <p>Recommendation:</p> <p>The Administration should ensure that it has a solid justification for a direct award in line with the procurement regulations before initiation of a procurement process. Additionally, the Administration should ensure that the contracting process is concluded before services are rendered.</p> <p>The Administration should also ensure that it complies with the Procurement Act and Regulations, to ensure that the correct protocols are followed.</p>	