



THE MINISTRY OF INVESTMENT, INNOVATION AND SOCIAL DEVELOPMENT

**Report to those charged with governance on the 31 December 2024
audit**

May 2025

***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 2024 financial statements of the Ministry of Investment, Innovation and Social 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 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 2024 financial statements 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 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 dated 13 September 2024 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 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. 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 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 issued an unqualified opinion on the 2024 financial statements.
9. A summary of audit adjustments made to the financial statements, totaling to \$1,960,884, is attached in Appendix 1. There was one uncorrected misstatement, amounting to \$36,300, attached in Appendix 2.
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 these representations, which formed part of our audit evidence, on 29 April 2025.

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. Management have made significant judgments and estimates with regard to the following financial statements items:

- Useful lives of property, plant and equipment and intangible assets.
- Provision for expected credit losses.
- Provisions and contingent liabilities.

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 Ministry's ability to continue as a going concern.

MATERIAL WEAKNESSES IN INTERNAL CONTROL

14. Significant deficiencies in internal control are noted in Appendix 3. No other control deficiencies have been identified and communicated separately to management.

FRAUD OR ILLEGAL ACTS

15. 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.

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.

OTHER SIGNIFICANT MATTERS

18. As outlined in Note 1b of the financial statements, the Cabinet authorised several reallocations of funding from the Ministry under section 11(5) of the Public Management and Finance Act (2020 Revision) (PMFA). The reallocations reduced the Ministry's operating expenditure budget by \$893,000. A supplementary Appropriations Bill for the funding was not introduced in Parliament by 31 March 2025 as required by section 11(6) of the PMFA.
19. There were no other significant matters noted during the audit.
20. No serious difficulties were encountered in the performance of our audit.
21. We have had no disagreements with management resulting from our audit.

ACKNOWLEDGEMENTS

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

Yours sincerely,



Winston Sobers, FCCA, CFE
Acting Auditor General

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

Num	Acc Num	Account Name	Dr	Cr
1	51430 20150	Telephone charges Accruals others <i>Adjustment to telephone charges</i>	13,136	(13,136)
2	50150 22106	Movement in annual leave provision Accrual - Annual leave <i>Correcting of annual leave provision</i>	9,637	(9,637)
3	21500 44001	Unearned revenue Donations received <i>Reclassification of donation income that was incorrectly accounted for</i>	12,600	(12,600)
4	20195 12009	Accounts payable Accrued prepayments <i>PO # 6330 - receipted in 2024 but paid in 2025</i>	194,523	(194,523)
5	20195 54352	Accounts payable Software licensing fees <i>Reversing PO# 6959</i>	174,118	(174,118)
6	12009 20150	Accrued prepayments Accruals - Other <i>Adjustment for Dec 2024 Expense PO# 6959</i>	304	(304)
7	20195 20150	Accounts payable Accruals - Other <i>Adjustment for Dec 2024 Expense PO# 6959</i>	3,643	(3,643)
8	54352 20150	Software license fees Accruals - Other <i>Expense PO# 6959</i>	14,510	(14,510)
9	20195 12009	Accounts payable Accrued prepayments <i>Adjustment for PO # 6330</i>	64,092	(64,092)
10	51086 13021	Expensed - attractive assets Inventory <i>To expense 7 white pocket card readers used in 2024</i>	50	(50)
11	51086 13021	Expensed - attractive assets Inventory <i>To expense 10 black resident card readers used in 2024</i>	662	(662)
12	46001 12401	Output revenue Debtor <i>Reduction in cabinet billing due to overbilling</i>	767,431	(767,431)
13	58604 20150	Settlement of cause Accruals - other <i>Adjustment relating to settlement per legal confirmation</i>	40,000	(40,000)
14	5140 20150	Facsimile charges Accruals - Other <i>Adjustment surplus payable for effects of adjustments</i>	847	(847)
15	32006 12003	Prior period adjustments Accounts receivable - Sale of goods and services <i>Adjustment relating to MACI invoice</i>	6,625	(6,625)
16	23422 32007	Surplus payable Surplus repayment <i>Adjustment surplus payable for effects of adjustments</i>	658,707	(658,707)
			1,960,884	(1,960,884)

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Num	Acc Num	Account Name	Dr	Cr
1	58505 12501	Doubtful debt expense Provision for doubtful debt expense <i>Difference between OAG calculation and client calculation</i>	36,336	(36,336)
			<u>36,336</u>	<u>(36,336)</u>

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implication & Recommendations	Management Accepts Finding?	Management Response
<p>1. <u>Non-compliance with the Personnel Regulations (2022 Revision) (the “Regulations”)</u></p> <p>Section 31(2) of the Personnel Regulations states that staff cannot be employed in acting positions for more than 12 months without the positions having been advertised as interim positions.</p> <p>We noted that nine (9) employees had been employed in acting positions for more than 12 months, but the Ministry had not advertised their positions as required by the Regulations.</p> <p>This is a recurring ISA point noted during the 2023 financial year end audit.</p>	<p>Risk/Implication</p> <p>The absence of a competitive selection process may lead to perceptions of favoritism or unfairness, potentially affecting staff morale and organizational culture. The recurrence of this issue suggests ineffective internal controls and inadequate oversight of laws and regulations.</p> <p>Recommendation</p> <p>Management should ensure that staff do not act in positions for more than 12 months unless the positions are advertised as required by section 31(2) of the Regulations.</p>	Yes	<p>Given that there were the upcoming election’s and the potential for significant changes in government and administrative structures, proceeding with recruitment and appointments during the 2024 financial year would not be prudent.</p>

<p>2. <u>Inappropriate accounting treatment for donations</u></p> <p>IPSAS 23—<i>Revenue from non-exchange transactions (taxes and transfers)</i> sets out the accounting treatment for donations, outlining the criteria for recognising donations as revenue or liability on initial recognition.</p> <p>We noted several instances where the Ministry did not correctly account for donations per IPSAS 23. For example, the Ministry recognised some donations as liabilities instead of revenue. As a result, audit adjustments totaling \$12,600 were recorded in the financial statements to correct the misstatement.</p> <p>This is a recurring ISA point noted during the 2023 financial year end audit.</p>	<p>Risk/Implication</p> <p>Management and other users of the financial statements may have inaccurate information for decision-making because liabilities in the financial statements will be overstated.</p> <p>Recommendation</p> <p>Management should ensure that it appropriately accounts for donations in accordance with the requirements of IPSAS 23.</p>	<p>Yes</p>	
<p>3. <u>Non-compliance with the Procurement Regulations (2022 Revision)</u></p>	<p>Risk/Implication</p> <p>Without the due process and chain of approval, the procurement may not</p>	<p>Partially</p>	<p>The procurement was reviewed by the Public Procurement Commission (PPC), an independent body</p>

<p>Section 16(1)(c) of the Procurement Regulations (2022 Revision) requires that procurement projects with a value of \$250,000 or more be approved by the Chief Officer.</p> <p>Although PPC approval was given, the audit team did not note evidence of approval by the Chief Officer in the tender evaluation document, and thus not in compliance with Section 16(1)(c) of the Procurement Regulations (2022 Revision.</p>	<p>represent best value for money, increasing the risk of overpayment, service gaps, or performance shortfalls.</p> <p>Recommendation</p> <p>Management should ensure that it complies with the requirements of the Procurement Regulations (2022 Revision) by ensuring that tender evaluations are approved by the Chief Officer, when procuring for all goods and services.</p>		<p>with a critical mandate to ensure value for money. It should also be noted that the PPC does not evaluate procurement submissions without receiving duly signed documentation. Management remains fully committed to transparency and will ensure that all relevant records, including those with original signatures, are made available to the OAG</p>
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