



NATIONAL ROADS AUTHORITY (NRA)

REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2024 AUDIT

July 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 December 31, 2024 financial statements of the *National Roads Authority* (the “Authority” or “NRA”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the 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 2024 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 release all final reports proactively through our website: www.auditorgeneral.gov.ky.

AUDITOR’S RESPONSIBILITIES IN RELATION TO THE AUDIT

AUDITOR’S RESPONSIBILITY UNDER THE 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 that 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 Authority's annual report to consider whether such information is materially inconsistent with information appearing in the financial statements or Knowledge of the operations of the Authority. We have not reviewed any other documents containing the Authority'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 Managing Director, and follows the requirements of the ISAs. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATION

8. We have issued an *unmodified* report on the 31 December 2024 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 \$ 6.13 million, comprised of audit adjustments of \$11.8 thousand and client adjustments of \$6.1 million, resulting in an increase in net equity of \$5.0 million for the year ended 31 December 2024. There were no uncorrected misstatements.
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 April 28, 2025, in respect of our financial statement audit.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

11. We are responsible for providing our views about qualitative aspects of the Authority's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Authority 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 Authority's financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

12. Management has made judgments and estimates with regard to the following financial statement items:
- Depreciation of Property, plant and equipment
 - Post-retirement health care liability
 - Post-retirement past service pension liability

GOING CONCERN DOUBTS

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 Authority's ability to continue as a going concern.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

14. Significant deficiencies identified during our audit are noted in Appendix 2, along with management's response.

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.
16. They are also responsible for establishing and maintaining controls pertaining to the Authority'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.
18. 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 the 2024 audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

22. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

23. We would like to express our thanks to the staff of the National Roads Authority 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,



Patrick Smith, CPA, CFE
Auditor General

APPENDIX 1 – SUMMARY OF ADJUSTED MISSTATEMENTS

One OAG Adjustment with a gross amount of \$11,789.73

Number	Name	Account No	Debit	Credit
1	Employee Entitlements	20210		11,789.73
1	Vacation Expense	80003	11,789.73	
	To recognise pension on outstanding leave as at YE 31 December 2024			
			11,789.73	11,789.73

Seven client adjustments with a gross amount of \$6,115,042.42

Number	Name	Account No	Debit	Credit
1	Other Receivables	12404	111,951.84	
1	Other Receivables	12404	24,797.59	
1	Sales of Services Interdepartmental	42062		111,951.84
1	Road Construction Services	42085		24,797.59
	Client adjustment to correct the initially provided TB balance			
2	Trade Receivables	12402	43,254.67	
2	Trade Receivables	12402		56,426.42
2	Sales of Services Interdepartmental	42062		43,254.67
2	Sales of Services Interdepartmental	42062	56,426.42	
	Client adjustment to amend the initially submitted TB.			
3	Accruals	20150		128,452.68
3	Subcontractors	50005	128,452.68	
	Client adjustment to amend the initially submitted TB.			
4	Pension Liability	23200	1,630,000.00	
4	Post-Retirement Health Liability	23201	3,759,000.00	
4	Other Comprehensive Income	42095		1,437,000.00
4	Other Comprehensive Income	42095		3,440,000.00

4	Pension-Past Service Cost	80002		193,000.00
4	Post-Employment Health Care	80057		319,000.00
	Client adjustments following the receipt of the Actuarial valuation reports			
5	Trade Receivables	12402		353,226.22
5	Road Construction Services	42085	353,226.22	
	Client adjustment to amend the initially submitted TB			
6	Accruals	20150		3,018.00
6	Professional Fees	80024	3,018.00	
	Client adjustment to accrue the IAS 19 fees from PSPB			
7	Trade Payables	20100	4,915.00	
7	Repairs & Maintenance - Parts	60003		4,915.00
	Client adjustment to recognise the amount in the correct period			
			6,115,042.42	6,115,042.42

APPENDIX 2 – INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p>1. <u>Non-compliance with Public Management and Finance Act (2020 Revision) ("PMFA")</u></p> <p>Section 52(1) of the Public Management and Finance Act (2020 Revision) ("PMFA") requires statutory authorities and government companies to prepare and submit annual reports for the Auditor General's review within two months after the end of each financial year.</p>	<p><u>Risk/ Implication</u></p> <p>Non-compliance with the PMFA.</p> <p>Lack of transparency during the audit process, as relevant information in the annual report may be missed.</p> <p>Various stakeholders utilize information to inform their decisions. The late submission of the annual report may affect the timeliness of reporting to stakeholders, thereby impacting the timeliness of their decisions.</p> <p><u>Recommendation</u></p>	Yes	<p>Management accepts that the annual report was slightly delayed. We note that whilst the formal annual report was delayed management maintained an open and transparent dialogue with the auditor throughout the process inclusive of draft financial statements and open access to underlying data and documentation when needed. We assert that this ongoing cooperation</p>	<p>Management remains committed to working with OAG to identify ways to prevent these delays in the future, especially concerning external dependencies.</p>

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
The Authority did not submit its 2024 annual report by 28 February 2025 as required by PMFA.	Management should ensure that it submits its annual reports for review within the statutory deadline imposed by the PMFA.		<p>mitigated the risk of 'lack of transparency'</p> <p>Actuarial reports are a fundamental component of the NRA's financial statements.</p> <p>The complexity of operations and data coupled with the reliance on external specialized actuarial reports, naturally extends the time required for accurate compilation and audit.</p> <p>A slightly delayed but accurate report is more beneficial to stakeholders</p>	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
			than a timely but inaccurate one.	

Observation	Risk/Implication and Recommendation	Observation accepted by Management (Y / N)	Management Response	Implementation Date
<p><u>2. Non-compliance with Procurement regulations.</u></p> <p>We noted that the Authority did not publish the contract award notification on a website designated by the Central Procurement Office within the required timelines. Section 19(1) of the procurement regulations requires awards to be published within 30 days.</p>	<p><u>Risk/ Implication</u></p> <p>There is a risk that value for money on the procurements may not be adequately demonstrated.</p> <p><u>Recommendation</u></p> <p>Management should notify the public of procurements in the year on the website designated by the CPO in accordance with the Procurement Regulations.</p>	Yes	<p>We note that at the time of the audit the Central Procurement Office did not have provisions in place for Government departments/agencies to comply with Section 19(1). NRA subsequently liaised with CPO and they have provided confirmation that all necessary modifications to the Bonfire System will be made in order to allow timely reporting of contract awards that were done outside of Bonfire.</p>	<p>Immediate pending CPO modifications to Bonfire.</p>