



## **PORTFOLIO OF THE CIVIL SERVICE**

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**Report to those charged with governance on the 2023 audit**

**July 2024**

*To help the public service  
spend wisely*

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# REPORT TO THOSE CHARGED WITH GOVERNANCE

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## INTRODUCTION

1. We have completed our audit of the 31 December 2023 financial statements of the Portfolio of the Civil Service (the “Portfolio”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Portfolio 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 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 Office of the Auditor General to release all final reports proactively through our website: [www.auditorgeneral.gov.ky](http://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 2023, 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 read the other information contained in the Portfolio'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 Portfolio. All comments from our review have been addressed.
7. We have not reviewed any other documents containing the Portfolio's audited financial statements.

## CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

8. 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 REPRESENTATION

9. We have issued an unmodified auditor's report on the 2023 financial statements.
10. A total of 12 adjustments with a gross impact of \$389,080 were identified and corrected during the audit. A summary of audit adjustments made to the financial statements is attached in Appendix 1.
11. There were no uncorrected audit misstatements.
12. As part of the completion of our audit we obtained written representations from Management on aspects of the accounts and judgments and estimates made. These representations were provided to us on 25 April 2024.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

13. We are responsible for providing our views about qualitative aspects of the Portfolio's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Portfolio to make accounting estimates and judgments about accounting policies and financial statement disclosures.

### MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

14. Management has made significant judgments and estimates with regard to the following financial statements items:
- Depreciation of fixed assets.
  - Provision for expected credit losses.

### GOING CONCERN DOUBTS

15. 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 Portfolio's ability to continue as a going concern.

### SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

16. We identified certain matters relating to the system of internal control and its operation that we have deemed significant. Appendix 2 outlines the related observations and recommendations designed to help the Portfolio improve its system of internal control.

### FRAUD OR ILLEGAL ACTS

17. 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 Portfolio'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.

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#### OTHER MATTERS

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

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

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#### ANY OTHER SIGNIFICANT MATTERS

22. In 2023, the Cabinet authorised a reallocation of appropriations of \$310,000 from the Portfolio's outputs to its equity injections budget to fund forecasted increases in the Portfolio's capital expenditure associated with the my-VISTA project. The Cabinet authorised the reallocations under section 11(5) of the Public Management and Finance Act (2020 Revision) ("PMFA"). A supplementary Appropriations Bill for the funding was not introduced in Parliament by 31 March 2024 as required by section 11(6) of the PMFA.

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 Portfolio of the Civil Service for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within the agreed timetable.

Yours sincerely,

**Winston Sobers**

Acting Auditor General



## APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

### Audit Adjustments

OAG proposed six audit adjustments with a gross amount of KYD 348,310.

Number	Account No	Account Name	Debit	Credit
1	17016 20150	WIP - Intangibles Accruals - Other <i>To accrue PDS- December 2023 Invoice for HRMS System</i>	12,980	(12,980)
2	35002 45002	Capital Withdrawal Gain on Sale of Assets <i>Being reclassifying correcting entry to recognize the asset transfers to ODPP from IAS/OES as an equity withdrawal</i>	56,514	(56,514)
3	23422 32007	Surplus Payable Surplus Repayment <i>Adj- 2023 Surplus Payable after audit adjustments</i>	66,437	(66,437)
4	17142 54316	Leasehold Improvements Maintenance - Building <i>Reclassification of IAS Renovations at One Capital Place to leasehold improvements</i>	31,606	(31,606)
5	12501 58505	Provision for Doubtful Debts Doubtful Debt Expense <i>Expected Credit Loss allowance revision in line with IPSAS 41 adoption</i>	149,167	(149,167)
6	12401 35001	Debtor - Cabinet (EXCO) Contributed Capital <i>To recognize an Equity injection and receivable from Cabinet for the IAS leasehold improvement</i>	31,606	(31,606)
<b>Sub-total</b>			<b>348,310</b>	<b>(348,310)</b>

**APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS (CONTINUED)**

**Client Adjustments**

Six client adjustments with a gross amount of KYD 40,770.

Number	Account No	Account Name	Debit	Credit
7	17011 45002	Asset Sales Clearing Gain on Sale of Assets <i>To correct the December missposting of the Range Rover sale</i>	15,300	(15,300)
8	17143 60015	Accumulated Depreciation Leasehold Depreciation <i>Depreciation charge on IAS Fit out Costs at One Capital Place</i>	1,054	(1,054)
9	21400 42027	Other unearned coercive Naturalisation and Reg <i>Being entry to recognize earned revenue from unearned schedule-Naturalization and BOTC fees</i>	8,000	(8,000)
10	22105 50155	Comp Time Liability Comp Time Expense <i>Client adjustment: Being correction of staff COMP time of 20 hours</i>	1,249	(1,249)
11	17035 17110 17130 32006 60015 17115 17135 17143 32006 60001	Accumulated Depreciation Computer Hardware Office Equipment Prior Period Adjustment Leasehold Depreciation Accumulated Depreciation Accumulated Depreciation Accumulated Depreciation Prior Period Adjustment Depreciation Buildings <i>Client PPE Adjustments (adjusting depreciation and reversals)</i>	5,646 2,795 1,299 432 1,541	(2,237) (794) (1,541) (3,886) (3,255)
12	23422 32007	Surplus Payable Surplus Repayment <i>Adjust-2023 Surplus Payable after audit adjustments for Prior Period</i>	3,454	(3,454)
<b>Sub-total</b>			<b>40,770</b>	<b>(40,770)</b>
<b>Grand-total</b>			<b>389,080</b>	<b>(389,080)</b>

**APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS**

Observation	Risk/Implication and Recommendation	Recommendation accepted/not accepted	Management response and implementation date												
<p><b>1. <u>My-Vista's system development is behind schedule and over budget</u></b></p> <p>My-VISTA is the Government's new integrated human resources and payroll system. The Portfolio is managing the system's development. The system will be rolled out in phases through 2024.</p> <p>The cost of developing the system is variable depending on the number of hours the vendor spends on it.</p> <p>As of 31 December 2023, the system's development was behind schedule and over budget, as illustrated in the table below.</p> <p>The table shows that as of 31 December 2023, the project was 33 per cent complete compared to planned progress of 55 per cent. However, the Portfolio had incurred \$885,000 or 80 per cent of the budgeted cost of \$1.1 million to 31 December 2023.</p>	<p><b>Risk/Implication</b></p> <p>There is a risk that the Portfolio will not complete the project on time, and costs will significantly exceed the budget.</p> <p><b>Recommendation</b></p> <p>Management should implement more rigorous monitoring mechanisms to track project progress and budget utilization and take corrective action where necessary.</p> <p>Management should also consider negotiating a switch to a fixed-price contract for the</p>	<p>Accepted and implemented.</p>	<p>Response - 20 June 2024:</p> <p>In April 2023, one of two vendor contracts were converted to the fixed-price model. The second contract which could not be converted to a fixed-price model, was nonetheless closely managed by the Project Management Office (PMO). The PMO coordinated and scheduled all approved consultant hours.</p> <p>In terms of the overall schedule and budget, a project 're-baseline' was approved by the Steering Committee and additional funding was approved by Cabinet in February 2023. The project is closely monitored with weekly and monthly updates and reviews to measure performance against the budget.</p> <table border="1" data-bbox="1317 981 1944 1125"> <thead> <tr> <th></th> <th>Original</th> <th>Rebaseline</th> </tr> </thead> <tbody> <tr> <td>Target Completion Date</td> <td>31-Dec-23</td> <td>31-Dec-25</td> </tr> <tr> <td>Project Duration (Years)</td> <td>2.5</td> <td>4.5</td> </tr> <tr> <td>Project Budget</td> <td>\$ 1,200,000.00</td> <td>\$ 1,550,000.00</td> </tr> </tbody> </table> <p>Accordingly, going forward progress should now be measured against the approved re-baseline.</p> <p>In 2023, delivery of the payroll module was impeded by delays relating to a crucial external vendor managed by a project partner. This vendor was responsible for a major dependency for the payroll module. This vendor has been replaced and the project velocity has increased. The payroll module went live for Parliament in March 2024, followed by the whole of CIG in May 2024. additional my-Vista modules are planned for</p>		Original	Rebaseline	Target Completion Date	31-Dec-23	31-Dec-25	Project Duration (Years)	2.5	4.5	Project Budget	\$ 1,200,000.00	\$ 1,550,000.00
	Original	Rebaseline													
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Item	As of date	Cost	Validated requirements
Budget	31-Dec-23	1,110,642	55%
Actual	31-Dec-23	885,000	33%
Actual	31-Dec-22	548,485	25%

*\*Validated requirements are the modules or workflows completed by the vendor and certified as complete by PoCS.*

The table also shows that the percentage of validated requirements increased by only eight per cent, from 25 per cent as of 31 December 2022 to 33 per cent as of 31 December 2023. The additional eight per cent progress in 2023 cost about \$337,000.

project's remaining phases. This will help manage costs more effectively by transferring the risk of overruns to the vendor, thus incentivising them to work within the budget and timeline.

delivery in the second half of 2024, aligned to the project re-baselined schedule.

	2023 (Actual)	2024 (as at June 30)	2024 (Planned Dec 31)	2025 (Planned)
Cost	\$ 885,000.00	\$ 1,010,000.00	\$ 1,325,000.00	\$ 1,550,000.00
Partial Requirements	15%	17%	5%	0%
Validated Requirements	33%	40%	60%	100%
Total Active Requirements	48%	57%	65%	100%

The measures implemented in 2023, including the project team's adoption of an agile methodology and implementation of a new project management system, have enabled the team to employ rigorous monitoring, detailed project tracking, and corrective actions when necessary.

As of June 30, 2024, the project is progressing according to the revised schedule and budget. We expect the project to continue on this trajectory, completing on time and within budget during the current fiscal period ending December 2025.