



THE MINISTRY OF COMMUNITY AFFAIRS

Report to those charged with governance on the 30 June 2021 audit

September 2022

***To help the public service
spend wisely***

TABLE OF CONTENTS

Introduction	2
Auditors responsibilities in relation to the audit	2
Auditor’s responsibility under International Standards on Auditing	2
Responsibilities of management and those charged with governance	3
Other information in documents containing audited financial statements	3
Conduct, approach and overall scope of the audit	3
Audit report, adjustments and management representations	3
Significant findings from the audit.....	4
Significant accounting practices	4
Management’s judgments and accounting estimates	4
Going concern	4
Deficiencies in internal control.....	4
Fraud or illegal acts	4
Other matters.....	5
Acknowledgements	5
Appendix 1 – Summary of uncorrected misstatements	7
Appendix 2 – Summary of corrected misstatements	8
Appendix 3 - Internal control matters and significant findings.....	10

REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We have completed our audit of the 30 June 2021 financial statements of the Ministry of Community Affairs (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 Ministry’s financial statements for 2021 financial period 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 (2020 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 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 have 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 with an emphasis of matter paragraph in the Auditor General's report on the 2021 financial statements.
9. There were three uncorrected misstatement identified, attached within Appendix 1. A summary of audit adjustments made to the financial statements is 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. The representations were provided to us on 30 July 2022.

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:

- Revaluation of land and buildings.
- Depreciation of fixed assets

GOING CONCERN

13. As a result of the Government reorganization effective 1 July 2021, the Ministry was discontinued and ceased operations effective 30 June 2021. Therefore, the Ministry's financial statements have been prepared and presented on a discontinued basis.

DEFICIENCIES IN INTERNAL CONTROL

14. The audit team noted one (1) instance of a deficiency in internal control, attached in Appendix 3.

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 MATTERS

18. No serious difficulties were encountered in the performance of our audit.
19. We have had no disagreements with management resulting from our audit.
20. There were no other significant matters noted during the audit.

ACKNOWLEDGEMENTS

21. 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,



Sue Winspear, CPFA
Auditor General

APPENDIX 1 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Number	Account Description	Account No	Debit	Credit
1	Accumulated depreciation Depreciation - Building <i>(Overstatement of depreciation relating to depreciation of 15 years vs 60 years)</i>	17035 60001	4,863	(4,863)
2	Accrual - Annual leave Movement in Annual leave <i>(Projected error from extrapolation of leave accrual error)</i>	22106 50150	41,239	(41,239)
3	Comp Time Liability Comp Time Expense <i>(Projected error from extrapolation of Comp Time)</i>	22105 50155	7,701	(7,701)
			53,803	(53,803)

APPENDIX 2 – SUMMARY OF CORRECTED MISSTATEMENTS

Number	Account Description	Account No	Debit	Credit
1	Debtor - Cabinet (EX Debtor (due from oth Outputs Sold to Cabi <i>(Adjusted cabinet billing upon finalization of expenses incurred as at June 2021.)</i>)	12401		(387,043)
		12404	417,165	
		46001		(30,122)
2	Fixed Assets Mass Ad Expensed (Attractive Maintenance - Buildi <i>(Reclassification of asset to expense accounts to correctly reflect transactio)</i>)	17020		(22,643)
		51086	3,228	
		54316	19,415	
3	Accruals - Other Gas Water Programme Support <i>(Additional 2021 invoice accruals for DCFs.)</i>	20150		(4,385)
		51415	1,556	
		51420	429	
		54980	2,400	
4	Prior Period Adjustment Professional Fees <i>(Write off balance from SOLEX contract - b/f from prior year)</i>	32006		(2,800)
		54256	2,800	
5	Accruals - Other Credit Union Payable <i>Adjustment for debit balance within creditors.</i>	20150	27,843	
		20310		(27,843)
6	Creditor owed to Others Financial Attest Ser <i>(Adjustment relating to overstatement of audit fee)</i>	23410	4,000	
		55506		(4,000)
7	Accumulated Depreciation Revaluation of assets -buildings <i>(Reclassification of opening accumulated depreciation in relation to revaluation of assets as at 1 Jan 2021.)</i>	17035	591,449	
		17900		(591,449)
8	Comp Time Liability Comp Time Expense <i>(Adjustment of comp time liability relating to employee.)</i>	22105	2,450	
		50155		(2,450)

APPENDIX 2 – SUMMARY OF CORRECTED MISSTATEMENTS (CONTINUED)

Number	Account Description	Account No	Debit	Credit
9	Accrued - Salary & Wages Basic Salary Government Pension Contribution Pension Contribution <i>(Adjustment to salary and pension upgrade relating to NAU (that did not materialise within the period)).</i>	22107 50011 50080 50082	49,170	(43,902) (2,634) (2,634)
10	Accrual - Annual Leave Movement in Annual Leave <i>(Adjustment of annual leave liability relating to employee A.)</i>	22106 50150	2,225	(2,225)
11	Accrual - Annual Leave Movement in Annual Leave <i>(Adjustment of annual leave liability relating to employee B.)</i>	22106 50150	11,052	(11,052)
12	Buildings Accumulated Depreciation Asset Revaluation Re <i>(Correcting journal relating to the write off of revaluation gain in relation to elements of PPE that were not revalued.)</i>	17030 17035 31003	70,441 510,529	(580,970)
13	Other Unearned Departmental Donations Received <i>(Reclassification of donations received that were previously classified as other unearned departmental revenue.)</i>	21500 44001	60,375	(60,375)
14	Asset Revaluation Depreciation - Buildings <i>(Overstatement of depreciation)</i>	31003 60001	12,225	(12,225)
			1,788,753	(1,788,753)

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response
<p>1. <u>No Tracking of outputs against budget</u></p> <p>The audit team noted, upon the testing of revenue, that the Ministry does not actively keep track/retain information of the actual outputs delivered against the budgeted deliverables.</p>	<p>Risks/Implications</p> <p>The Ministry is unable to determine/demonstrate that the Cabinet has achieved value for money for the funding it provided to the Ministry.</p> <p>Recommendations</p> <p>We note that the Ministry has been discontinued. However, the transferred departments/units should track actual outputs going forward, under the respective new Ministries.</p>	<p>The recommendation from the Office of the Auditor General is accepted</p>