



**MINISTRY OF DISTRICT ADMINISTRATION AND LANDS**

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**Report to those charged with governance on the 2022 audit**

**September 2023**

*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 financial statements of the Ministry of District Administration and Lands (the “Ministry”) for the year ended 31 December 2022. 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 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) (“FOI Act”) 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

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### 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 the 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 Ministry'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 Ministry. We have not reviewed any other documents containing Parliament'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 Chief Officer on 25 August 2022 and follows 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 paragraph on the 2022 financial statements. The paragraph highlights that the Cabinet authorised supplementary funding of about \$2,498 thousand for the Ministry under section 11(5) of the Public Management and Finance Act (2020 Revision) ("PMFA"). However, supplementary Appropriation Bill for the funding was not introduced in Parliament by 31 March 2023 as required by section 11(6) of the PMFA.
9. Appendix 1 summarizes the misstatements identified during the audit that were corrected by management. The total value of these on the financial statements was about \$231 thousand.
10. Appendix 2 summarizes those uncorrected misstatements identified by us during the audit that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The total value of these was about \$12 thousand.
11. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. Management provided us with the written representations on 30 April 2023.



## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

12. 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 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

13. Management has made significant judgments and estimates with regards to the following financial statement items:

- provisions and contingent liabilities
- impairment
- depreciation of property, plant and equipment and amortization of intangible assets
- provision for doubtful debts

### GOING CONCERN DOUBTS

14. 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.

### SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

15. We identified certain matters relating to the system of internal control we have deemed significant to the Ministry's operations, and are submitting for your consideration related observations and recommendations designed to help the Ministry improve its system of internal control. Details are included in Appendix 3.

16. There were no other internal control matters communicated separately to management.

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**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 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.
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 factors such 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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**SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT**

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

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**DISAGREEMENTS WITH MANAGEMENT**

21. There were no disagreements with management noted during the audit

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**ANY OTHER SIGNIFICANT MATTERS**

22. There is no other significant matter noted during the audit.

**ACKNOWLEDGEMENTS**

23. We would like to express our thanks to the Ministry's staff for their help and assistance during the audit.





Yours faithfully,

**Angela Cullen, CPFA**  
Acting Auditor General

## APPENDIX 1 – CORRECTED MISSTATEMENTS

Date	Name	Account No	Debit	Credit	Adjustments proposed by
31/12/2022	Accrued Prepayments	12009		(51,964.00)	OAG
31/12/2022	Fixed Assets Mass Additions Clearing	17020	7,310.00		OAG
31/12/2022	Accruals - Property Plant & Equipment	20153	44,654.00		OAG
	Reversal of prepayment				
31/12/2022	Provision for doubtful debts-Trade	12501		(76,319.26)	OAG
31/12/2022	Doubtful debts expense	58501	76,319.26		OAG
	Provision for doubtful debt				
31/12/2022	Surplus Payable	23422		(10,541.50)	OAG
31/12/2022	Surplus Repayment	32007	10,541.50		OAG
	Surplus payable				
31/12/2022	Other Inventories	13201	9,705.59		OAG
31/12/2022	Impairment of Inventory - Entity	59009		(9,705.59)	OAG
	Variance between GL inventory and inventory cost report				
31/12/2022	Other unearned coercive revenue	21400		(16,208.34)	OAG
31/12/2022	Web Receipts	42093	16,208.34		OAG
	Reversal of earned revenue to unearned revenue				
31/12/2022	Fixed Assets Mass Additions Clearing	17020	12,415.00		OAG
31/12/2022	Expensed (Attractive) Assets	51086		(12,415.00)	OAG
	Reversal of Attractive assets to PPE				

31/12/2022	Debtor (due from other Ministries)	12404	54,198.67	MDAL
31/12/2022	Outputs Sold to Cabinet (EXCO)	46001	(54,198.67)	MDAL

Additional output billings

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**231,352.36 (231,352.36)**

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**APPENDIX 2 – UNCORRECTED MISSTATEMENTS**

<b>Ref no</b>	<b>Description</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Income</b>	<b>Expenses</b>
1	Projected inventory misstatement on differences between the yearend physical and system inventory quantities.	(11,516.96)	-	-	11,516.96	-
	<b>Understated/(Overstated)</b>	<b>(11,516.96)</b>	<b>-</b>	<b>-</b>	<b>11,516.96</b>	<b>-</b>

**APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS**

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
<p><b>1. <u>Value for money for output funding</u></b></p> <p>The Ministry's 2022 financial statements were signed on 30 April 2023. Section 44(5) of the PMIFA requires the Ministry to present its 2022 annual report to the Cabinet by 31 May 2023. As of 30 April 2023, and 31 May 2023, the Ministry had not finished assessing its 2022 actual versus budgeted outputs performance.</p> <p>Therefore, we could not determine whether the Ministry provided value for money for the output funding it received from the Cabinet in 2022. In addition, we could not review the assessment for accuracy within the Ministry's annual reporting deadline.</p>	<p><b>Risk/ Implication</b></p> <p>Without timely tracking and disclosure of actual versus output budget performance, the Ministry cannot demonstrate to key stakeholders like the Public Accounts Committee and the public that it is providing value for money for the output funding it receives from the Cabinet.</p> <p><b>Recommendation</b></p> <p>The Ministry should track actual against budgeted outputs on a timely basis to enable public reporting in its annual report.</p>	<p>The draft Annual Report is substantially completed and will be provided to OAG for review, in short order. Internally, we continue to track actual performance against budget on a regular basis, including conducting mid-year and year-end reporting of outputs against budget.</p> <p>The Ministry remains committed to the continuous discharge of its mandate utilizing the available resources and is particularly keen on compliance with the relevant Laws and Regulations pertaining to the procurement of goods/services.</p> <p>Also, the Ministry is not aware of feedback from previous reports or of any formal audit that suggests a</p>	<p>Finalization of the Annual Report – first week of September 2023</p>

	<p>deviation from the principle of providing value for money.</p>	<p>N/A - this process is not within the Ministry's remit.</p>
<p><b>2. Non-compliance with the Personnel Regulations (2022 Revision) - acting</b></p> <p>According to section 15(2)(f) of the Public Service Management Act (2018 Revision), the Deputy Governor is responsible for appointing Chief Officers. However, we noted that the Ministry's Chief Officer had been employed in an acting capacity for 18 months as of 31 December 2022. This contradicts the requirements of section 31(1) of the Personnel Regulations which imposes a 12-months limit.</p>	<p><b>Risk/ Implication</b></p> <p>Non-compliance with the Personnel Regulations.</p> <p>Appointment of a key management personnel in acting capacity beyond the 12-months limit denies potential applicants the opportunity to compete and fill the position on long term basis.</p> <p>Key management personnel in acting capacity may be unable to make long-term decisions due to uncertain service duration.</p> <p><b>Recommendation</b></p> <p>The Ministry should liaise with the Office of the Deputy Governor to ensure that the position is advertised and filled as soon as possible.</p>	<p>The appointment of the Chief Officer is not within the purview of the Ministry of District Administration &amp; Lands. Consequently, the Ministry is unable to formally respond to the alleged act of non-compliance. The Ministry understands however that the Chief Officer's appoint is being reviewed and is also aware of the post being advertised subsequent to the year-end reporting period.</p>