



**THE MINISTRY OF INTERNATIONAL TRADE,
INVESTMENTS, AVIATION AND MARITIME AFFAIRS**

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

October 2022

***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 30 June 2021 financial statements of the Ministry of International Trade, Investments, Aviation and Maritime 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 financial statements for 2021 financial year that we consider are worthy of drawing to your attention, so that you can consider them before the financial statements are approved and signed.
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. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There was one (1) uncorrected misstatement identified, attached within 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 29 April 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:

- 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.

MATERIAL WEAKNESSES IN INTERNAL CONTROL

14. The audit team noted one instance of a material weakness in internal control. Please refer to 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 CORRECTED MISSTATEMENTS

Acc Num	Account Description	Dr	Cr
10174 12009	UK Office Bank Account Accrued Prepayments <i>(Correction of overstatement of prepaid rental expense)</i>	22,584	(22,584)
23400 12012	Other Current Liabilities Other Receivables <i>(Reclassification of credit balance within Debtors)</i>	24,897	(24,897)
12012 23200	Other Receivables Pension Liability <i>(Correction relating to settlement of pension liability)</i>	17,156	(17,156)
54256 20150	Professional Fees Accruals - Other <i>(Correction for overstatement of professional fees - KPMG)</i>	145,000	(145,000)
58001 50072	Lease of Sites or Building Employee Health Care <i>(Correction relating to reclassify amount posted in the incorrec account)</i>	35,259	(35,259)
32006 20100	Prior Period Adjustment Trade Payables <i>(Correction relating to prior period expnse)</i>	10,050	(10,050)
32007 23422	Surplus Repayment Surplus Payable <i>(Correction to adjust Surplus Payable)</i>	7,262	(7,262)
59006 20150 17021	Write down of asset Accruals - Other Construction In Prog <i>(Write down of website development as a result of being obsolete due to discontinuation)</i>	27,000 18,000	(45,000)
10174 54256 59001	UK Office Bank Account Professional Fees Gain/Loss on Foreign <i>(Adjustment relating to overstatement of professional fees - UK Office)</i>	5,942	(2,963) (2,979)
54256 50229 20150	Professional Fees Training Accruals - Other <i>(Correction for the understatement of professional and training fees)</i>	12,607 9,560	(22,167)
54256 20150	Professional Fees Accruals - Other <i>(Correction for understatement of professional fees)</i>	2,821	(2,821)
20150 50019	Accruals - Other Workers Benefits <i>(Correction for overstatement of worker benefits)</i>	1,044	(1,044)
50082 20150	Pension Contribution Accruals - Other <i>(Correction to adjust UK Office Pension)</i>	2,678	(2,678)
50072 20150	Employee Health Care Accruals - Other <i>(Correction to adjust understatement of employee healthcare)</i>	145	(145)
50080 20150	Government Pension Contributions Accruals - Other <i>(Correction to adjust UK Office Pension)</i>	2,823	(2,823)
		344,828	(344,828)

APPENDIX 2 – SUMMARY OF UNCORRECTED MISSTATEMENTS

Acc Num	Account Description	Dr	Cr
54404	Trade and Industry	15,008	
32006	Prior Period Adjustment <i>(Uncorrected Misstatement for the reclassification of immaterial prior period balances recorded directly via equity in the current year expenses)</i>		(15,008)
		15,008	(15,008)

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response
<p>1. Reimbursement of study costs incurred prior to employment</p> <p>The Ministry repaid a student loan of approximately \$48,000 for one of its employees in April 2021 whose studies had been completed prior to being employed by the Ministry.</p> <p>Whilst it is common practice in accordance with Section 12 (1) of Schedule 1 of the Personnel Regulations (2022 Revision), for the reimbursement of study costs of an employee undertaking their studies during employment (upon approval of the employee's appointing officer), it is uncommon practice for reimbursement of study costs incurred prior to employment.</p> <p>If management is likely to follow precedent with this practice with other employees, this is likely to result in creating an expectation to all employees, which could see the Ministry incurring a significant amount of reimbursement study costs to employees, for studies incurred prior to employment.</p>	<p>Risks/Implications</p> <p>There is the likelihood that reimbursement costs may be significant in future, as a result of the precedent and expectation set.</p> <p>Recommendations</p> <p>Management should ensure that it only reimburses study costs incurred by employees (and approved by the employee's appointing officer) after joining the Ministry.</p>	<p>Agreed. Recurrence highly unlikely as the Ministry no longer exist and note is taken of this recommendation.</p>