



MINISTRY OF YOUTH, SPORTS, CULTURE AND HERITAGE

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

INTRODUCTION

1. We have completed our audit of the financial statements of the Ministry of Youth, Sports, Culture and Heritage (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.

AUDITOR’S 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 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 reviewed the other information contained in the Ministry's annual report and confirmed that the information is materially consistent with 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 on the 2022 financial statements.
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 \$11.7 million.
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 \$7 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 17 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:

- depreciation of property, plant and equipment and amortization of intangible assets – (\$1,186 thousand)

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.

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.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

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

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

Description	Asset	Equity	Expenses	Income	Liability	Grand Total
Sum of credit	(11,044,427.32)	(3,329.79)	(695,302.39)	-	-	(11,743,059.50)
Sum of Debits	10,989,354.11	58,403.00	695,302.39	-	-	11,743,059.50
Net amount	(55,073.21)	55,073.21	-	-	-	-

Date	Name	Account No	Debit	Credit	Identified by
31/12/2022	Buildings	17030	8,629,446.95		OAG
	Accumulated Depreciation				
31/12/2022	Buildings	17035		(1,548,461.00)	OAG
31/12/2022	Other Infrastructure	17060		(8,540,150.00)	OAG
	Accumulated Depreciation				
31/12/2022	other infrastructure	17065	1,494,526.19		OAG
31/12/2022	Furniture & Fittings	17100		(321,670.86)	OAG
	Accumulated Depreciation				
31/12/2022	furniture and Fittings	17105	174,106.00		OAG
31/12/2022	Computer Hardware	17110	3,336.08		OAG
	Accumulated Depreciation				
31/12/2022	computer Hardware	17115	1,597.00		OAG
	Accumulated Depreciation				
31/12/2022	computer software	17125		(1,432.13)	OAG
31/12/2022	Plant & Equipment	17140	396,921.18		OAG
	Accumulated Depreciation Plant				
31/12/2022	& Equipment	17145		(187,659.00)	OAG
	Accumulated Depreciation Plant				
31/12/2022	& Equipment	17145		(767.99)	OAG
31/12/2022	Other Assets	17150		(167,883.34)	OAG
	Accumulated Depreciation				
31/12/2022	Other assets	17155	70,652.72		OAG
	Accumulated Depreciation				
31/12/2022	other assets	17155	767.99		OAG
31/12/2022	Contributed Capital	35001		(3,329.79)	OAG
	<i>Reclassifying of assets</i>				
31/12/2022	Depreciation Buildings	60001	648,119.76		OAG
31/12/2022	Depreciation Infrastructure	60004		(640,511.27)	OAG
	Depreciation Computer				
31/12/2022	Hardware	60009		(3,463.56)	OAG
31/12/2022	Depreciation Office equipment	60011		(27,638.35)	OAG

31/12/2022	Depreciation Other Plant and Equipment	60012	47,182.63		OAG
31/12/2022	Depreciation Other Assets	60013		(23,689.21)	OAG
	<i>To correct errors in depreciation of property, plant and equipment</i>				
31/12/2022	Other Receivables	12012		(58,403.00)	OAG
31/12/2022	Contributed Capital	35001	58,403.00		OAG
	Reversal of equity drawdown for the refurbishment of the George Town annex changing room and rest rooms				
31/12/2022	Accrued Prepayments	12009	218,000.00		OAG
31/12/2022	Fixed Assets Mass Ad	17020		(218,000.00)	OAG
	<i>To record prepayments for LED stadium lights</i>				
			11,743,059.50	(11,743,059.5)	

APPENDIX 2 – UNCORRECTED MISSTATEMENTS

Description	Assets	Liabilities	Equity	Income	Expenses
Projected error arising from recognition of prior year utilities as 2022 expenses	6,562.00	-	-	(6,562.00)	-
Understated/(Overstated)	6,562.00	-	-	(6,562.00)	-

Date	Name	Account No	Debit	Credit	Identified by
31/12/2022	Data Communications	51460		(6,562.00)	OAG
31/12/2022	Prior Period Adjustments	32006	6,562.00		OAG
			6562.00	(6,562.00)	

APPENDIX 3 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
<p>1. <u>Non-compliance with Procurement Regulations, 2018 – No competitive process and valid contracts.</u></p> <p>The Ministry did not undertake a competitive process when procuring the following services during the year.</p> <ul style="list-style-type: none"> • Security services - \$200,000 • Maintenance services - \$567,554 • Janitorial services - \$38,084 <p>Section 4 of Procurement Regulations, 2018 requires an entity to undertake a competitive process when procuring any goods, services or works.</p> <p>In addition, the Ministry had no valid contracts with these service providers. Furthermore, there is no evidence that the Ministry conducted due diligence on service providers to support continuing business relationships with the service providers.</p>	<p>Risks/Implications</p> <p>In the absence of a valid contract and competitive bidding process, the Ministry may not achieve value for money.</p> <p>Recommendations</p> <p>Management should ensure that procurement regulations are followed for all goods and services procured in order to achieve value for money.</p>	<p>The recommendation is accepted. As previously noted, this was a legacy issue originating prior to the formation of the Ministry of Youth, Sports, Culture & Heritage and transferred from the Ministry of Community Affairs.</p> <p>Management initiated the procurement process in 2022; the business case was approved, and adequate funding identified in the 2023 budget allocation.</p> <p>The three procurements were all approved by the Public Procurement Committee in May 2023 and are currently with the Solicitor General's Office for contract review and finalization. The estimated time of completion is September 2023.</p> <p>While the Ministry was in the process of regularizing this legacy matter it had inherited, services had to be provided within the three areas noted to ensure that the</p>	<p>September 30, 2023</p>

		<p>Department of sports remain operational and maintain a level of service which was of good standing with the public and offer some protection to the Government of the day against potential liability.</p>	
<p>2. <u>Non-compliance with Procurement Regulations, 2018 – Lack of a robust initial business case for the procurement of retrofitting lights at the Truman Bodden Sports Complex ED Bush stadium and Tee McField stadium</u></p> <p>The Ministry's initial business case was not robust in providing a reliable breakdown of the relevant costs to undertake the project contrary to section 3 of the Procurement Act, 2016. A robust business case should provide justification for undertaking a project and should reliably estimate the cost of this to support decision-making for the investment or expenditure.</p> <p>The Ministry's initial business case included an estimated cost of retrofitting lights in two stadiums, for \$200,000. However, the actual cost of the procurement of \$476,600 was at least twice this estimate.</p> <p>Consequently, the Ministry applied a procurement method suitable for procurements</p>	<p>Risks/Implications</p> <p>In the absence of a robust business case, the Ministry may not adequately evaluate procurement options and methods to achieve value for money. There is a risk that the Ministry may make incorrect decisions based on unreliable cost estimates.</p> <p>Recommendations</p> <p>Management should develop robust business cases for the procurement of goods and services to achieve value for money.</p>	<p>The initial business case that was done was based on the initial quotes received at the time the 2022-2023 budget was being prepared in 2021. The relevant business case form and procurement method was applied.</p> <p>The significant increase in costs was due to factors completely outside the control of the Ministry and could not have been foreseen. The increases were due primarily to international market forces such as supply chain constraints and inflationary pressures arising from the COVID-19 pandemic. Immediately upon becoming aware of the increased prices, the procurement method was adapted as the project now required PPC approval and the business case for amounts being procured above \$250,000.00. At all times</p>	<p>Implemented</p> <p>October 11, 2022</p>

<p>below \$250,000 instead of that applicable for procurements greater than \$250,000 as per Section 6 of the Procurement Regulations.</p> <p>However, we acknowledge that the Ministry received PPC approval for the award of contract.</p>		<p>throughout the procurement project, the Ministry ensured compliance with the requirements of the Procurement Act.</p> <p>The Ministry was in constant communication with the Procurement Office regarding the approval of the project, and they directed the Ministry to update the Business Case Template and resubmit using the specified template.</p>	
<p>3. <u>No established agreement for the custodianship of the Pirates Fest funds</u></p> <p>During the year, the Ministry performed the role of custodian for Pirates Fest funds. The Ministry was responsible for holding funds, settling payments maintaining financial records on behalf of the Pirates Fest Committee. The Pirates Fest funds are executive funds held in the entity's bank account.</p> <p>However, there was no agreement or terms and conditions between the Ministry and the Pirates Fest Committee to inform the Ministry's role as a custodian of Pirates Fest funds.</p>	<p>Risks/Implications</p> <p>Without, an agreement between the Ministry and Pirates Fest Committee, the Ministry's roles and responsibilities as custodian are unclear. The lack of clarity on the ministry's role may result in unmanaged risks should any legal disputes arise.</p> <p>Pirates Fest funds were held in the Ministry's bank account without established guidelines on how they would be used. As a result, the funds may not be used in a manner to achieve the intended objectives.</p> <p>Recommendation</p> <p>Management should ensure that a signed agreement between the Ministry and the</p>	<p>These transactions are recorded as decreases or increases of the outstanding liability. The intended objectives are the responsibility of the Committee.</p> <p>The recommendation that an agreement be completed is accepted as the Ministry is also responsible for Executive transactions.</p>	<p>September 30, 2023</p>

	<p>Pirates Fest Committee is in place to regularize the Ministry's role as a custodian of Pirates Fest funds. The agreement should clearly define the roles and responsibilities of both parties and controls for the management of Pirates Fest funds.</p>		
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