



MINISTRY OF EDUCATION

Report to those charged with governance on the 2022 audit

June 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 Education (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 audits of the Ministry’s financial statements 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 (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.

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 letters to which the engagements were subject. The audits of the financial statements do 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 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. Management has submitted to us its annual report by the statutory deadline, and we reviewed them in accordance with our responsibilities under ISA 720.

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 unqualified opinion in the Auditor General's reports on the 2022 financial statements.
9. There were no uncorrected or corrected misstatements identified during the audit.
10. 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 has provided us with written representations dated 27 March 2023 in respect of our financial statement audit.

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 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.

12. Details of any significant findings from the audit are included in Appendix 1 along with management's response.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

13. There were matters which required management to make significant judgments or which required significant estimates such as; provision for bad debt, revaluation, impairment and depreciation of property, plant and equipment and amortization of intangible assets.

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 a number of deficiencies relating to internal control as part of our audit. These include:
 - No janitorial contract existed for the New John Gray High School.
 - Expired Heritage Holdings leases.

Details are included in Appendix 1 along with management's response. There were no other control deficiencies reported separately to management.

FRAUD OR ILLEGAL ACTS

16. Applicable auditing standards recognize that the primary responsibility for the prevention and detection of fraud and compliance with applicable acts 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.



17. 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.

18. No fraud or illegal acts came to our attention as a result of our audit.

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

DISAGREEMENTS WITH MANAGEMENT

20. There were no disagreements with management that were noted during the audit.

ANY OTHER SIGNIFICANT MATTERS

21. There were no other significant matters noted during audit.

ACKNOWLEDGEMENTS

22. 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,

A handwritten signature in black ink, appearing to read 'Angela Cullen'.

Angela Cullen
Acting Auditor General

APPENDIX 1 - INTERNAL CONTROL MATTERS AND SIGNIFICANT FINDINGS

Observations	Risks/Implications & Recommendations	Management Response	Implementation Date
<p>1. <u>Non-compliance with Procurement Regulations</u></p> <p>During the audit, we noted that a janitorial contract in the amount of \$330 thousand was awarded without following the procurement regulations and obtaining the Public Procurement Committee’s (PPC) approval.</p> <p>In addition, management was not able to provide a formal janitorial contract for the New John Gray High School. Except for an addendum to the original A1 Cleaning Services janitorial contract for the John Gray High School which was originally procured in 2021 for an amount of \$506 thousand.</p> <p>The Procurement Regulations, 2018 (the “Regulations”) stipulate that entities are required to undertake a competitive process when procuring any goods, services or works unless it can be demonstrated that the procurement meets the criteria of the direct award process.</p>	<p>Risks/Implications</p> <p>There is a risk that significant amounts could be incurred/billed if there is no formal contract in place for janitorial services. This approach undertaken by the Ministry does not suggest good value for money.</p> <p>Recommendations</p> <p>It is recommended that a new contract should be procured and signed for the New John Gary High School to avoid non-compliance with the procurement regulations and excess billings. This approach would also demonstrate good value for money.</p>	<p>COVID-19 significantly affected the completion of the New John Gray High School. Major construction items were in short supply for an extended period. Due to uncertainties regarding the new school's commission date, it was impossible to commence the tender process for the services relating to the NJGHS, as this process normally takes up to three months.</p> <p>Amidst the delay, the project managers handed over portions of the new school for use. As such, the janitorial services were extended to the currently contracted providers of the existing George Hicks Campus, where the old John Gray High School was housed.</p>	

		<p>The final portions of the New John Gray High School were commissioned towards the end of the first quarter of 2023.</p> <p>The current janitorial contract expires in August 2023. The contract renewal process has started and is at the Bonfire stage, where companies can submit their proposals.</p>	
<p>2. Expired Lease Contract</p> <p>Two lease contracts with a total annual cost of \$31 thousand expired on 30 September 2022. These have not been renewed as at 31 December 2022.</p>	<p>Risks/Implications</p> <p>The interest of the Ministry could be at risk should there be a legal dispute over the terms of the lease agreement.</p> <p>Recommendations</p> <p>Management should ensure that the lease agreements are renewed upon expiration in order to prevent any issues.</p>	<p>The Lands & Survey Department (LSD) handles lease renewals. A follow-up was made on 28 September 2022, where the LSD indicated that Cabinet's approval was required.</p> <p>To date, this approval is still outstanding.</p>	