



## **PORTFOLIO OF THE CIVIL SERVICE**

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

**July 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 31 December 2022 financial statements of the Portfolio of the Civil Service (the “Portfolio”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Portfolio 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 2022 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) 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 signed by management on 25<sup>th</sup> August 2022 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, containing audited financial statements, we read the other information contained in the Portfolio'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 Portfolio. All comments from our review have been addressed.
7. We have not reviewed any other documents containing the Portfolio's audited financial statements.

## CONDUCT, APPROACH AND OVERALL SCOPE OF THE AUDIT

8. 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 REPRESENTATION

9. We have issued an unmodified auditor's report on the 2022 financial statements.
10. A total of 11 adjustments with a gross impact of \$444 thousand were identified and corrected during the audit. A summary of audit adjustments made to the financial statements is attached in Appendix 1.
11. There were no uncorrected audit misstatements.
12. As part of the completion of our audit we obtained written representations from management on aspects of the accounts and judgments and estimates made. These representations were provided to us on 30<sup>th</sup> April 2023.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

13. We are responsible for providing our views about qualitative aspects of the Portfolio's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Portfolio to make accounting estimates and judgments about accounting policies and financial statement disclosures.

### MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

14. Management has made significant judgments and estimates with regard to the following financial statements items:

- Depreciation of fixed assets
- Provision for doubtful debts.

### GOING CONCERN DOUBTS

15. 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 Portfolio's ability to continue as a going concern.

### SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

16. We identified certain matters relating to the system of internal control and its operation that we have deemed significant. Appendix 2 outlines the related observations and recommendations designed to help the Portfolio improve its system of internal control.

### 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 Portfolio'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 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.

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

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#### OTHER MATTERS

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

21. We have had no disagreements with management resulting from our audit.

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#### ANY OTHER SIGNIFICANT MATTERS

22. There were no other significant matters noted during the audit.

#### ACKNOWLEDGEMENTS

23. We would like to express our thanks to the staff of the Portfolio of the Civil Service for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report within the agreed timetable.

Yours sincerely,



**Angela Cullen, CPFA**  
Acting Auditor General

## APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

### Audit Adjustments

Six audit adjustments proposed by OAG with a gross amount of KYD 340,876.

Number	Account No	Account Name	Debit	Credit
1	59001 10102	Gain/Loss on Foreign E USD-Ministry and Porfo <i>(To Recognize unposted loss on Foreign Exchange- USD Account)</i>	33,946	(33,946)
2	20160 54309	Expense AP Accrual (Sy Special Conferences <i>(To Reverse PO 6610- Senior Leadership Event at Marriot)</i>	29,505	(29,505)
3	12501 58505	Provision for Doubtful Debts (T Doubtful Debt Expense <i>(Recognize bad debts provisioning for long outstanding Rceivables&gt; 180 days)</i>	53,030	(53,030)
4	17016 20150	WIP - Intangibles Accruals - Other <i>(Recognize PDS- December 22 Invoice for HRMS System)</i>	13,646	(13,646)
5	23422 32007	Surplus Payable Surplus Repayment <i>(Adj- 2022 Surplus Payable after audit adjustments)</i>	26,677	(26,677)
6	12009 17020	Accrued Prepayments Fixed Assets Mass Additions <i>(Reclassification of deposits made from WIP to prepayments)</i>	184,072	(184,072)
<b>Sub-total</b>			<b>340,876</b>	<b>(340,876)</b>



## APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS (CONTINUED)

### Client Adjustments

Five client adjustments with a gross amount of KYD 102,691.

Number	Account No	Account Name	Debit	Credit
7	22100 32006	Long service leave and Prior Period Adjustmen <i>Entry to Write-Off SRIU Leave Liability Balance</i>	3,000	(3,000)
8	12012 50011 50080 50082	Other Receivables Basic Salary Government Pension Con Pension Contribution - <i>(To recognize reimbursement from MBCL for Laura Walter)</i>	33,784	(32,853) (465) (465)
9	20150 58001	Accruals - Other Lease of Sites or Buil <i>Sussex House: Back payment on new lease amount for November and December 2022</i>	2,989	(2,989)
10	20160 23400	Expense AP Accrual (Sy Other Current Liabilit <i>QA Ltd(Head Office) Cancel PO for entire 2022 and 2023 costs</i>	59,918	(59,918)
11	23422 32007	Surplus Payable Surplus Repayment <i>Aj-2022 Surplus Payable after audit adjustments for Prior Period</i>	3,000	(3,000)
<b>Sub-total</b>			<b>102,691</b>	<b>(102,691)</b>
<b>Grand-total</b>			<b>443,567</b>	<b>(443,567)</b>

## APPENDIX 2 - INTERNAL CONTROL MATTERS & SIGNIFICANT FINDINGS

Observation	Risk/Implication and Recommendation	Management response and implementation date
<p>1. <u>Non-compliance with the Personnel Regulations (2022 Revision) (the "Regulations")</u></p> <p>Section 31(1) of the Regulations prohibits staff members from acting in a position for more than 12 months.</p> <p>During our 2022 audit, we noted that one of the Portfolio's employees was employed in an acting role for more than 12 months contrary to the Regulation's requirements.</p>	<p><b>Risk/Implication</b></p> <p>Non-compliance with laws and regulations.</p> <p><b>Recommendation</b></p> <p>Management should ensure that individuals do not act in positions for more than 12 months as required by the Regulations.</p>	<p>Management notes the recommendation.</p> <p>In this situation; the internal recruitment process was delayed as the team in question were supporting post-COVID transformation projects.</p> <p>However, as at April-23 the role was regularized by way of open competition.</p>
<p>2. <u>No contract for a service provider</u></p> <p>In 2022, the Portfolio paid about \$75 thousand to a vendor for property maintenance and gardening services.</p> <p>The Portfolio's contract with the vendor expired in February 2022. However, the Portfolio was still using the vendor's services throughout the year.</p>	<p><b>Risk/Implication</b></p> <p>Without a contract stipulating the terms and conditions of service provision, the Portfolio may not have recourse in case of disputes with the service provider.</p> <p>In addition, the Portfolio may be subject to arbitrary changes in pricing and other terms and conditions in the absence of a binding contract.</p> <p><b>Recommendation</b></p> <p>Management should ensure that the Portfolio has valid contracts with all major service providers.</p>	<p>Management notes the recommendation.</p> <p>Due to a long-standing relationship in the provision of this service, neither party noted the contract expiration and services continued in line with the original terms of the contract.</p> <p>The department will be more vigilant about ensuring contracts are up to date.</p> <p>In addition, the Portfolio's Finance team will complete a full assessment and put additional controls in place to assist departments in preventing a reoccurrence.</p>