



## **NATIONAL ROADS AUTHORITY**

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**Report to those charged with governance on the 2020 audit**

**August 2021**

*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 2020 financial statements of the National Roads Authority (the “Authority”). International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Authority 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 2020 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 (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](http://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.

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#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

5. Management's responsibilities are detailed in the engagement letter signed by management on 5 October 2020 to which this engagement was subject. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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#### 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 Authority'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 Authority. We have not reviewed any other documents containing the Authority'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 Managing Director 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

8. We have issued an unmodified audit opinion with an emphasis of matter paragraph on the 2020 financial statements.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no uncorrected misstatements arising from 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. These representations were provided to us on 30 April 2021.

## SIGNIFICANT FINDINGS FROM THE AUDIT

### SIGNIFICANT ACCOUNTING PRACTICES

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

We are, however, not aware of any new or controversial accounting practices reflected in the Authority'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 property, plant and equipment.
  - Pension liability and post-retirement health Liability

### GOING CONCERN DOUBTS

13. 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 Authority's ability to continue as a going concern.

### SIGNIFICANT AND OTHER DEFICIENCIES IN INTERNAL CONTROL

14. We did not identify any significant matters relating to internal controls as part of our audit.

### FRAUD OR ILLEGAL ACTS

15. 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 Authority'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.

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#### SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

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

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#### DISAGREEMENTS WITH MANAGEMENT

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

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#### ANY OTHER SIGNIFICANT MATTERS

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 National Roads Authority 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,



**Sue Winspear, CPFA**  
Auditor General



## APPENDIX 1 – SUMMARY OF CORRECTED AUDIT MISSTATEMENTS

Number	Name	Account No	Debit	Credit
1	Employee Entitlements	20210		(10,498)
	Vacation Expense	80003	10,498	
To correct understated leave pay accrual.				
2	Prepayments	12009	12,875	
	Accruals	20150		(12,875)
To reclassify a prepayment from accruals.				
3	Other Receivables	12404	36,378	
	Accruals	20150		(36,378)
	Road Construction Services	42085		(36,378)
	Subcontractors	50005	36,378	
To record works completed prior to year-end on contract number C2020/29 (i.e. costs of sales and liability as well as the corresponding revenue and receivable from MCPI).				
4	Accumulated Depreciation Vehicles	17075	18,306	
	Depreciation Vehicles	80043		(18,306)
Correct overstatement on depreciation of motor vehicles.				
5	Other Receivables	12404	250,346	
	Accruals	20150		(250,346)
	Road Construction Services	42085		(250,346)
	Materials	50004	47,736	
	Subcontractors	50005	202,610	
To record 2020 liabilities not accrued at 31-Dec-20 and the receivable from MCPI relating to those liabilities.				
6	Other Receivables	12404	37,531	
	Accruals	20150		(37,531)
	Road Construction Services	42085		(37,531)
	Hired Equipment	50003	13,200	
	Materials	50004	24,331	
To record 2020 liabilities not accrued at 31-Dec-20 and the receivable from MCPI relating to those liabilities.				
7	Salary Advances	14203	339	
	Trade Payables	20100	412	
	Trade Payables	20100		(460)
	Accumulated Surpluses	39999	121	
	Staff Functions	80007		(412)
Client proposed adjustment post-submission date.				

Number	Name	Account No	Debit	Credit
8	Provision for Doubtful Debts	12501		(73,523)
	Doubtful Debt Expense	80042	73,523	
Being provision for doubtful debts.				
9	Medical Liability Reserve Funds TD	10601	2,853	
	Fixed Deposit Interest	43001		(2,853)
Client proposed adjustment to record interest on the term deposit held with RBC.				
<b>Total</b>			<b>767,437</b>	<b>(767,437)</b>