



SISTER ISLANDS AFFORDABLE HOUSING DEVELOPMENT CORPORATION

Report to those charged with governance on the 2018 audit

August 2019

*To help the Public Service
spend wisely*

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REPORT TO THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

1. We completed our audit for the year ended 31 December 2018 financial statements of the Sister Islands Affordable Housing Development Corporation (the “Corporation”) through the work of a private audit firm. International Standards on Auditing (ISAs) require that we communicate certain matters to those charged with governance of the Corporation 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; and
 - 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 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 Law (2018 Revision) it is the policy of the Office of the Auditor General to release all audit 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. 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 Corporation's 31 December 2018 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 Corporation, and found no material inconsistencies to report.

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 private audit firm, as well as the nature and scope of the audit, were outlined in an engagement letter sent to the Chairman of the Board of Directors on 28 February 2019. We are not aware of any impairment to our independence as auditors.

AUDIT REPORT, ADJUSTMENTS AND MANAGEMENT REPRESENTATIONS

8. As required by ISAs, we sought written representations from management on aspects of the accounts and judgments and estimates made in the financial statements for the year ended 31 December 2018. We have requested that management provide us with representations in respect of our financial statement audit, which they have provided to us.
9. A summary of audit adjustments made to the financial statements is attached in Appendix 1. There were no uncorrected misstatements.

SIGNIFICANT FINDINGS FROM THE AUDIT

SIGNIFICANT ACCOUNTING PRACTICES

10. We are responsible for providing our views about qualitative aspects of the Corporation's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. Generally accepted accounting principles provide for the Corporation to make accounting estimates and judgments about accounting policies and financial statement disclosures. We are not aware of any new or controversial accounting practices reflected in the Corporation financial statements.

MANAGEMENT'S JUDGMENTS AND ACCOUNTING ESTIMATES

11. There were no matters which required management to make significant judgments or which required significant estimates.

GOING CONCERN DOUBTS

12. 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 Corporation's ability to continue as a going concern.

DEFICIENCIES IN INTERNAL CONTROL

13. We have identified deficiencies relating to internal controls as part of our audit. None of our observations were considered significant deficiencies. We have reported to management separately on our observations on control deficiencies deemed not significant.

FRAUD OR ILLEGAL ACTS

14. 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.

15. 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 controls and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature.

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

SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE COURSE OF OUR AUDIT

17. No significant difficulties were encountered during the course of the audit.

DISAGREEMENTS WITH MANAGEMENT

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

ANY OTHER SIGNIFICANT MATTERS

19. There were no other significant matters.

ACKNOWLEDGMENTS

20. We would like to express our thanks to the staff of the Sister Island Affordable Housing Development Corporation for their help and assistance during the audit of this year's financial statements. This has enabled us to provide an audit report.

Yours sincerely,



Sue Winspear, CPFA
Auditor General

23 August 2019

APPENDIX 1 – SUMMARY OF CORRECTED MISSTATEMENTS

January 1 – December 31, 2018

Ref	Account	Debit	Credit
1	Accumulated Deficit Expenses To adjust for cost incurred in 2017 for termite control	1,150	1,150
2	Accounts Receivable Expenses To adjust for prepaid expense on Boundary Survey	3,755	3,755
3	Expenses Accumulated Deficit To adjust for incorrect posting of prior year adjustment	730	730
4	Accumulated Deficit Land PPE Cost of Land To adjust for updated valuation of land as of 31 December 2017 (prior year)	45,000	22,500 22,500
		50,635	50,635