

REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL LABORATORY TECHNICIANS AND TECHNOLOGISTS BOARD FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Medical Laboratory Technicians and Technologists Board set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Medical Laboratory Technicians and Technologists Board as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Medical Laboratory Technicians and Technologists Act, 1999 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

The statement of financial position reflects total assets of Kshs.57,551,326 while the total net assets and liabilities amounts to Kshs.57,497,485 resulting in an unexplained variance of Kshs.53,471.

In the circumstances, the accuracy and completeness of statement of financial position could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and Note 15 to the financial statements reflects receivables from exchange transactions balance of Kshs.50,090,423. The amount includes the receivable balance of Kshs.46,190,971 which has been outstanding for more than one year and whose recoverability was doubtful. The Management has not made a provision for doubtful debts in the financial statements and did not disclose measures taken to recover the amounts.

In the circumstances, the accuracy, completeness and recoverability of the trade receivables from exchange transactions balance of Kshs.50,090,423 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Medical Laboratory Technicians and Technologists Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted receipts amounting to Kshs.240,157,966 against actual revenue of Kshs.194,277,075 resulting in an under-collection of Kshs.45,880,891 or 19.1%. Further, budgeted expenditure for the year amounted to Kshs.240,157,966 against the actual expenditure of Kshs.186,582,890 resulting in an overall under-absorption of Kshs.53,575,076 or 22%.

The under collection and under absorption may negatively impact on the service delivery.

My opinion is however not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Lack of Human Resource Instruments

The statement of financial performance and Note 8 to the financial statements reflects employee costs of Kshs.25,019,687. However, there was no evidence to show that Management developed annual recruitment plans and forwarded them to the Public Service Commission to enable them fill the vacancies. This was contrary to Part II Section B.2(2) of the Human Resource Policies and Procedures Manual for the Public Service May, 2016 which states that the Ministries/State Departments shall be required to develop annual recruitment plans which will be forwarded to the Public Service Commission at the beginning of each financial year to enable it plan to fill the vacancies.

Further, it was noted that the Board did not have the approved staff establishment which shows the number of posts needed for normal and regular operations. This was contrary to Section 5(3) of the State Corporations Act Chapter 446 Revised Edition 2016 [2012] states that a State Corporation may engage and employ such number of staffs, including the Chief Executive Officer, on such terms and conditions of service as the Minister may, in consultation with the State Corporations Advisory Committee approve. This has led to staff being seconded from the Ministry of Health and holding of key positions in acting capacities.

In the circumstances, Management was in breach of the law.

2. Failure to Enact Kenya Medical Laboratory Technicians and Technologists Regulations

The Kenya Medical Laboratory Technicians and Technologists Act, 1999 was gazetted on 28 January, 2000. However, the regulations that prescribe the terms and conditions of the business and practice of the laboratory technicians and technologists engaged

in private practice have not been drafted. These regulations are supposed to guide on the equipment and reagents to be provided in private medical laboratories, the services to be rendered by laboratory technicians and technologists in private practice and the employment of laboratory technicians and technologists in private medical. This was contrary to Section 25(1) of the Medical Laboratory Technicians and Technologists Act, 1999 which states that the Board shall, in regulations, prescribe the terms and conditions of the business and practice of laboratory technicians and technologists engaged in private practice.

In the circumstances, Management was in breach of the law.

3. Failure to Constitute Disciplinary Committee

Note 9 to the financial statements reflects Board expenses of Kshs.2,299,150 incurred to finance the Board and Committee meetings during the year. However, it was noted that the Disciplinary Committee lacked one representative appointed by Cabinet Secretary in compliance with Section 26(1) of the Medical Laboratory Technicians and Technologists Act, 1999. The Committee is tasked in dealing with member cases of negligence or professional misconduct in respect of conducting their duties and issues of impropriety or misconduct as stipulated in Section 27 of the Act.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit and Audit Committee

During the year under review, Management had not established an internal audit function. In addition, there was no Audit Committee to monitor the entity governance process, accountability process and control systems and offer objective advice on issues concerning risk, control, regulatory requirement and governance.

In the circumstances, the effectiveness of internal controls could not be confirmed.

2. Lack of Risk Management Policy

During the year under review, Management did not prepare a Risk Management Policy, risk management strategies and a system of risk management to enable them

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to develop appropriate risk strategies in order to improve on effective and efficient management of public resources.

In the circumstances, the effectiveness of risk management could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the Board's activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence

obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 March, 2024