

REPORT OF THE AUDITOR-GENERAL ON KENYA ACADEMY OF SPORTS FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Academy of Sports set out on pages 1 to 26, which comprise the statement of financial position as at 30 June, 2019, the statement of financial performance, the statement of cash flows, the statement of changes in net assets and 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 Academy of Sports as at 30 June, 2019, 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 Public Finance Management Act, 2012 and the Sports Act, 2013.

Basis for Qualified Opinion

1.0 Contract Variation - International Sports Academy

Sports Stadia Management Board (now Sports Kenya) entered into a contract on 21 March, 2013 for construction of an International Sports Academy at Moi International Sports Centre, Kasarani at a contract price of Kshs.859,814,770. The scope of the project included the construction of a hostel building; a two (2) floors hotel; two (2) football pitches; two (2) basketball pitches; a rugby pitch; and a borehole.

As at 30 June, 2019, Management had made payments totalling Kshs.1,036,445,457 against the contract sum of Kshs.859,814,770. This exceeded the original contract sum by Kshs.176,630,687 or 20.5% while the project completion level was estimated at 90%. Management has explained the contract variation to have resulted from the cost of consultancy which was not covered in the initial contract.

Under the circumstances, the validity of the contract variation could not be confirmed.

2.0 Lack of Title Deeds for the Academy Complex

The Work in Progress on the Academy complex balance of Kshs.1,036,445,457 as at 30 June, 2019 excludes undetermined values of land on which the Hostel Complex is built. Management has explained that the title to the land is with the Ministry of Sports, Culture and Heritage.

Consequently, the ownership of the land on which the Academy complex is built and the net book value of land and building could not be confirmed..

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Academy of Sports 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 audit opinion.

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

Budgetary Control and Performance

The Academy had an approved budget of Kshs.210,422,859 against an actual expenditure of Kshs.233,857,182 resulting in an over expenditure of Kshs.23,434,323 or 11%. Management has not provided approvals and explanations on the over expenditure of Kshs.23,434,323.

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 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

1.0 Delayed Completion of International Sports Academy

Sports Stadia Management Board (now Sports Kenya) entered into a contract on 21 March, 2013 for construction of an International Sports Academy at Moi International Sports Centre, Kasarani at a contract price of Kshs.859,814,770. The scope of the

project included the construction of a hostel building; a two (2) floors hotel; two (2) football pitches; two (2) basketball pitches; a rugby pitch; and a borehole.

Phase one (1) of project which included the hostel building commenced on 23 March, 2013 and was expected to be completed within a three (3) year period. As at the time of the audit in January, 2020 the project had not been completed and was about 90% complete. Management has not provided evidence of the contract extension for audit.

Consequently, value for money has not been realised from the expenditure of Kshs.1,036,445,457 on the Project. Also, there is a possible risk of further project cost escalation due to delay in completion.

2.0 Irregular Procurement of Goods and Services

The Management procured desktop computers, laptops, TVs, DVD player, Microwave, Smart Phones, Business Cards and advertising worth Kshs.2,263,380 during the financial year. However, the items were not included in the procurement plan for the year. This was contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which requires an Accounting Officer to prepare an annual procurement plan which is realistic in the format set out in the Regulations and which should be within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

Consequently, Management is in breach of law.

Basis for conclusion

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 audit the 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, internal controls, risk management and governance were not effective.

Basis for conclusion

Lack of an Internal Audit Function

It was observed that the Academy did not have an internal audit function during the year. However, Management has made arrangements with internal auditors from the Ministry of Sports, Culture and Heritage for conducting of audit in line with the provisions of Section 73(1) of the Public Finance Management Act, 2012.

Although the Academy has an established Audit Committee, oversight over internal controls and governance may not be effective in the absence of an operational internal audit function.

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 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 those Charged with Governance

Management is responsible for the preparation and for presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control 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 control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Academy'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 liquidate the Academy 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 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.

Those charged with governance are responsible for overseeing the Academy's financial reporting process, reviewing the effectiveness of how 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 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 about 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 and that public resources are applied in an effective way, 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.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control 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 control may not prevent or detect misstatements and instances of non-compliance. 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 Academy's 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 the Management.
- Conclude on the appropriateness of the 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 Academy's ability to continue as a going concern or 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 Academy 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 Academy to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

16 July, 2021