

REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF MASS COMMUNICATION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute of Mass Communication set out on pages 1 to 17, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows 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 Kenya Institute of Mass Communication as at 30 June 2017, 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 State Corporation Act Cap 446 and Legal notice No.197 Order, 2011(Amendment 2012)

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Property, Plant and Equipment

As previously reported, included in the property, plant and equipment balance of Kshs.2,259,588,272 as at 30 June 2017 is land measuring 1.4430 hectares valued at Kshs.1,100,000,000. However, available information indicates that part of the Institute's land used as walk path linking the Institute's catering unit, male hostel and female hostel has been encroached into by a private developer. The proposed development by the developer will cut off the male and female hostel and the catering unit, and thus will affect the students and the Institute as a whole adversely. Although the matter has been reported to the National Land Commission, and a case is pending before a court of law, the outcome is unknown. Further, the property, plant and equipment balance of Kshs.2,259,588,272 is understated by an unknown and unvalued assets which were inherited from the parent Ministry after the Institute became autonomous in 2015/2016 financial year. In addition, the Institute has a fleet of Motor vehicles valued at Kshs.18,800,000 and whose ownership documents were not availed for audit review. In the circumstances, it has not been possible to

confirm that the property, plant and equipment balance of Kshs.2,259,588,272 is fairly stated.

2. Uncompleted Project - Construction of Kitchen/Dining

On 20 May 2016 the Institute entered and signed a Contract No. KIMC/01/2015-2016 with a construction company for construction of modern kitchen and dining hall at a contract price of Kshs.115,925,052 for duration of fifty two (52) weeks ending on 8 June 2017. Available information indicate that the contract price was varied by 25% or Kshs.28,980,902 to Kshs.144,905,954 while the duration varied by twenty six weeks (26) ending 7 December 2017. In addition, examination of documents revealed that a total of Kshs.112,613,442.00 or approximately 78% of the revised contract sum had been paid to the contractor leaving a balance of Kshs.32,292,513 with lapsed time of over three months. A physical inspection on the project during the time of audit revealed that the project is still incomplete and was way behind schedule. No satisfactory explanation was provided as to why the project was not completed in time and whether the unpaid balance of Kshs.32,292,513 will be sufficient to complete the project. Further, available information revealed that Electrical works and Mechanical, Plumbing, drainage, ventilation and solar works had been tendered for separately at a cost of Kshs.3,784,546 and Kshs.15,082,702 respectively and claims by the contractors had not been honoured. It is not clear if the project will be completed and when the stakeholders will obtain value for money. In the circumstances, the propriety of the expenditure of Kshs.112,613,442 on construction of kitchen and dining hall for the year ended 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Institute of Mass Communication in accordance with ISSAI 30 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.

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. Except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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 such 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.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern basis of accounting unless the management either intends to liquidate the Institute or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Institute's 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 going concern 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 Institute'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 Institute to cease as a going concern or 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 Institute 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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 April 2018