REPORT OF THE AUDITOR-GENERAL ON KIIRUA TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kiirua Technical Training Institute set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2020, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kiirua Technical Training Institute as at 30 June, 2020, 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 do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012**.**

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Unbalanced Statement of Financial Position

The statement of financial position as at 30 June, 2020 reflects total assets balance of Kshs.283,089,408 and total net assets and liabilities balance of Kshs.351,519,335 resulting to an unexplained variance of Kshs.68,429,927. In addition, the statement reflects a comparative reserves balance of Kshs.127,683,849 and a nil balance in the year under review. The variance of Kshs.127,683,849 between the balances had not been explained or reconciled.

In the circumstances, the accuracy and completeness of the statement of financial position as at 30 June, 2020 could not be confirmed.

1.2 Statement of Changes in Net Assets

The statement of changes in net assets for the year ended 30 June, 2020 reflects Kshs.229,512,503 in respect to capital/development Fund. However, the 2018/2019 audited financial statements reflect capital/development Fund balance of Kshs.54,774,155 resulting to unreconciled variance of Kshs.174,738,348.

In the circumstances, the accuracy, completeness and validity of the statement of changes in net assets could not be confirmed.

1.3 Variances Between the Statement of Comparison of Budget and Actual Amounts and the Statement of Financial Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects a total actual expenditure of Kshs.22,859,369 in respect to twelve (12) items which vary with amounts reflected in the statement of financial performance totalling to Kshs.19,090,872 on the same items resulting to an unreconciled variance of Kshs.3,768,497 as detailed below;

Items	Statement of Financial Performance (Kshs.)	Statement of Budget and Actual Amounts (Kshs.)	Variance (Kshs.)
Use of Goods and Services	17,823,460	17,756,454	67,006
Tuition	0	1,688,476	(1,688,476)
Co-Curriculum Activities	0	881,526	(881,526)
Students Attachment and Insurance	0	191,288	(191,288)
Advertisement	0	418,800	(418,800)
Research and Innovation	0	608,275	(608,275)
ISO,PC,Surveys and Policies	0	1,314,550	(1,314,550)
HELB	7,450	0	7,450
Timau Campus	563,904	0	563,904
Ujuzi Manyattani	76,000	0	76,000
Library Complex	12,000	0	12,000
Merti T.V.C.	608,058	0	608,058
Total Expenditure	**19,090,872**	**22,859,369**	**(3,768,497)**

In the circumstances, the accuracy of the two statements for the year ended 30 June, 2020 could not be confirmed.

2.0 Inaccuracies of Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment. However, recasting of the balances in the Note reflects a balance Kshs.155,673,717 resulting to unreconciled variance of Kshs.64,000.

Further, the property, plant and equipment balance was not depreciated contrary to Paragraph 88 of the International Public Sector Accounting Standards (IPSAS) 17 which states that the financial statements shall disclose, for each class of property, plant and equipment recognized in the financial statements the measurement bases used for determining the gross carrying amount, the depreciation methods used, the useful lives or the depreciation rates used and the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period and a reconciliation of the carrying amount at the beginning and end of the period showing depreciation.

In addition, the balance Kshs.155,737,717 excludes land and buildings of unknown value where the Institute is located and whose ownership documents were not provided. Further, the fixed assets register provided for audit review lacked the necessary information on cost, date purchased, asset coding and serial numbers of the assets.

In the circumstances, the accuracy, valuation, ownership and existence of the property, plant and equipment balance of Kshs.155,737,717 could not be confirmed.

3.0 Unconfirmed Fees from Students

The statement of financial performance and as disclosed in Note 10 to the financial statements reflects rendering of services - fees from students balance of Kshs.35,962,551 which includes an amount of Kshs.4,524,333 in respect to tuition fees which further includes an amount of Kshs.249,550 in respect to fees paid for thirty-two (32) students inform of bursaries from various Constituency Development Funds, County Government and Non-Governmental Organizations. However, the bursaries had not been posted to the students' fees accounts contrary to Section 29(1) of the Second Schedule of the Technical and Vocational Education and Training Act, 2013 which stipulates that the Board of Governors of a public institution shall cause to be kept all proper books and records of accounts of the income, expenditure and assets of the institution.

In the circumstances, the completeness and accuracy of the balance of Kshs.35,962,551 in respect to rendering of services - fees from students could not be confirmed.

4.0 Rental Revenue from Facilities and Equipment

The statement of financial performance and as disclosed in Note 12 to the financial statements, reflects an amount of Kshs.14,398,250 in respect to rental revenue from facilities and equipment. The amount includes Kshs.12,169,750 in respect to Pay As You Eat which relates to fees received from National Youth Service (NYS) sponsored students. However, a review of receipt books, kitchen sales register and NYS registers revealed that the same did not indicate the students unique service numbers. In addition, meal cards, food consumed returns, amount paid and the reconciliation between the food consumed, amount paid, cost of the food and total expected sales were not provided.
In addition, while the NYS sponsored students should have been invoiced per term, Management only recognized actual amount received from NYS contrary to accrual basis of accounting which stipulates that revenue is recognized when earned and not when received.

Further, there was lack of segregation of duties as the same officer draws the cash receipts, receives cash, updates the kitchen sales register and does the banking before the same is surrendered to the finance department.

In the circumstances, the accuracy and completeness of the balance of Kshs.12,169,750 in respect to rental revenue from facilities could not be confirmed.

5.0 Current Liabilities

5.1 Unconfirmed Current Liabilities

The statement of financial position reflects comparative balances on development fund, bus project, jua kali project and production unit balance of Kshs.503,218, Kshs.1,174,200, Kshs.504,915 and Kshs.18,821 respectively all totalling to Kshs.2,201,154, however nil balances were reflected for the year ended 30 June, 2020. Records indicating how the balances totalling to Kshs.2,201,154 were cleared from the Institute's books were provided.

In the circumstances, the accuracy of the nil balances could not be confirmed.

5.2 Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position and as disclosed in Note 34 to the financial statements, reflects trade and other payables from exchange transactions balance of Kshs.16,139,392 which includes an amount of Kshs.5,576,705 in respect to trade payables which further includes an amount of Kshs.1,749,521 whose supporting documents including schedules, invoices, contracts and local purchase orders were not provided.

In the circumstances, the accuracy of the balance of Kshs.1,749,521 in respect to trade payables could not be confirmed.

6.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 26 to the financial statements reflects cash and cash equivalents balance of Kshs.107,931,334 which includes an amount of Kshs.28,507,047 in respect to cash held in a bank. However, the bank reconciliation statement for the month of June, 2020 reflects receipts in bank not receipted, unpresented cheques, Higher Education Loans Board (HELB), NYS and bank charges of Kshs.1,523,952, Kshs.257,273, Kshs.1,394,400, Kshs.7,107,900 and Kshs.30,840 respectively, all totalling to Kshs.10,314,365 whose supporting documents were not provided.

Further, documents provided for audit review revealed twelve (12) instances of cash withdrawals totalling to Kshs.5,184,615 which exceeded the Kshs.3,600,000 (at a rate of Kshs.300,000 per withdrawal) by Kshs.1,584,615 contrary to the Ministry of Education Circular on financial management guidelines which limits weekly cash withdrawals from the bank to Kshs.300,000 for Technical and Vocational Education and Training (TVETS).

In addition, the cash and cash equivalents balance includes an amount of Kshs.160 in respect to a bank account whose bank statements, bank certificate and cash books were not provided.

Consequently, the accuracy of cash and cash equivalent balance of Kshs.28,507,047 could not be confirmed.

7.0 Unsupported Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 27(a) to the financial statements reflects receivables from exchange transactions balance of Kshs.19,201,814 which includes an amount of Kshs.18,971,814 in respect to student debtors. However, the debtors aging analysis as at 30 June, 2020 was not provided. It was therefore not possible to determine for how long the debt had remained outstanding. In addition, the Institute does not have a debt management policy.

In the circumstances, the accuracy and recoverability of Kshs.18,971,814 in respect to student debtors could not be confirmed.

8.0 Remuneration of Directors

The statement of financial performance and as disclosed in Note 17 to the financial statements, reflects remuneration of Directors' balance of Kshs.1,805,765. However, the attendance registers, approved rates and invitation letters were not provided in support of the expenditure. In addition, the Directors schedule of payment provided reflects a balance of Kshs.1,787,765 resulting to an unexplained variance of Kshs.18,000.

In the circumstances, the accuracy of the remuneration of Directors balance of Kshs.1,805,765 could not be confirmed.

9.0 Use of Goods and Services

The statement of financial performance and as disclosed in Note 15 to the financial statements reflects use of goods and services balance of Kshs.17,823,460. However, the following unsatisfactory matters were noted:

9.1 Unsupported Bus Expenses

The balance includes an amount of Kshs.591,291 in respect to bus expenses which further includes an expenditure of Kshs.383,941 whose supporting documents including register for repairs and approval letters were not provided.

In the circumstances, the accuracy of bus expenditure amount of Kshs.383,941 could not be confirmed.

9.2 Unsupported Consumables - Training Materials

The balance of Kshs.17,823,460 further includes an amount of Kshs.1,688,476 in respect to consumables - training materials which further includes an amount of Kshs.382,800 used to pay trainers as transport and subsistence for assessment of trainees. However, work tickets, bus tickets, authority to use own vehicle and the assessment report in support of the expenditure were not provided.

In the circumstances, the accuracy and validity of Kshs.382,800 expenditure for consumables could not be confirmed.

9.3 Unconfirmed Activity Expenses

The balance includes an amount of Kshs.881,526 in respect to activity which further includes Kshs.127,825 paid to Kenya Association of Technical Training Institutions (KATTI), Mt Kenya Region, being participation fee for the regional athletics championship held between 11 to 15 February, 2020. However, the payment was not supported by acknowledgement receipt and invoice from KATTI.

In the circumstances, the accuracy of the expenditure of Kshs.127,825 could not be confirmed.

9.4 Training Expenses - Commonwealth Association of Technical Universities and Polytechnics in Africa (CAPA) 2019 International Conference in Kigali Rwanda

The balance of Kshs.17,823,460 in respect to use of goods and services includes Kshs.776,773 in respect to training expenses - staff training and capacity building which further includes an amount of Kshs.237,658 in respect to subsistence allowance, Kshs.36,780 in respect to air fare and Kshs.3,000 in respect to travelling allowance to Nairobi all totalling to Kshs.277,438 paid to the Principal of the Institute to attend CAPA Conference in Kigali, Rwanda. The participants were expected to travel on Sunday 25 August, 2019 and travel back on Saturday 31 August, 2019 thus were entitled to a six (6) night outs payment of Kshs.203,706 at Kshs.33,951 per night (328 US dollars). The Principal was therefore overpaid by Kshs.33,952 in respect to subsistence allowances without justification. Further, documents provided for audit review shows that the Principal was paid Kshs.377,438 instead of Kshs.277,438 resulting to a variance of Kshs.100,000 that was not accounted for.

In the circumstances, the accuracy and value for money for expenditure totalling Kshs.133,952 could not be confirmed.

9.5 Unsupported Laikipia West Technical Training Institute Expenditure

The use of goods and services balance include an amount of Kshs.367,500 in respect to Laikipia West Technical Training Institute which further includes an amount of Kshs.248,500 whose supporting documents were not provided.

In addition, the balance of Kshs.367,500 further includes Kshs.57,400 purportedly paid to a firm for provision of transport services to Laikipia West Technical Training Institute. However, a further review of the supporting documents revealed that included in the Kshs.57,400 was Kshs.35,000 to facilitate a meeting at the Institute comprising of Kshs.30,000 paid to the Principal and Kshs.5,000 paid to the Principal’s driver and not to the said firm. The supporting documents for the said meeting including minutes and work tickets were not provided.

Further, the balance of Kshs.367,500 also includes an amount of Kshs.75,000 paid for facilitation of an activity said to be official. However, details of the activity including the intended purpose of the expenditure were not provided.

In the circumstances, the accuracy and value for money for the expenditure of Kshs.358,500 could not be confirmed.

10.0 Unsupported Hostels Rent and Other Expenses

The statement of financial performance reflects a balance of Kshs.1,017,200 in respect to hostels rent paid and other expenses which includes Kshs.971,500 in respect to payment to various suppliers of the hostels. However, quotations, evaluation minutes, professional opinion, notification of award and contract agreements between the suppliers and the Institution were not provided for audit review. In addition, included in the expenditure of Kshs.971,500 is an amount of Kshs.330,000 paid to a hotel owner for hostel rent of one hundred and five (105) students for three semesters ending 30 July, 2019, 31 March, 2020 and 30 November, 2019 respectively. However, a signed list of the students hosted in the hostels was not provided for audit review.

Further, there was no evidence provided to confirm the service was competitively procured. It was therefore not possible to establish how Kshs.971,500 was arrived at and why the supplier was single sourced without justification contrary to Section 103(1) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that a procuring entity may use direct procurement as allowed under sub-section (2) as long as the purpose is not to avoid competition.

In the circumstances, the accuracy and value for money for the expenditure of Kshs.971,500 in respect to hostels rent could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiirua Technical Training Institute 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 adverse 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 statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.71,695,006 and Kshs.58,653,301 respectively resulting to under-funding of Kshs.13,041,705 or 18% of the budget. Similarly, the Institution expended Kshs.43,146,506 against an approved budget of Kshs.80,015,539 resulting to under-expenditure of Kshs.36,869,033 or 46% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the Public.

In addition, the statement reflects approved revenue budget and expenditure of Kshs.71,695,006 and Kshs.80,015,539 respectively resulting to a variance of Kshs.8,320,533. No supplementary approval was availed for audit review for the Kshs.8,320,533 over expenditure contrary to Section 40(5) of the Public Finance Management (National Government) Regulations, 2015 which states that accounting officers may seek supplementary budget if the expenditure cannot be met by budget reallocation under Section 43 of the Act. Further no explanation was provided as to why the Institution's Board approved the unbalanced budget contrary to Regulation 33 (c) of the Public Finance Management (National Government) Regulations, 2015 which requires the budget to be balanced.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Stalled Project in Laikipia West Technical Training Institute

Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment which includes an amount of Kshs.150,420,586 in respect to work in progress which further include an amount of Kshs.26,799,266 in respect to construction works at Laikipia West Technical Training Institute (TTI). A review of the records provided for audit review indicated that the contract for erection and completion of twin workshop, classrooms and offices awarded to a firm was signed on 17 May, 2016. The contract was awarded at a contract sum of Kshs.55,471,853, with a contract period of 52 weeks and contract completion date of 19 June, 2017.
Further review of documents provided revealed that the contract period was extended by the Board of Governors by twenty-two (22) weeks from 19 June, 2017 to 19 December, 2017. However, as at 23 September, 2020 which is 173 weeks since the project commenced, the project had stalled and was reported to have been terminated due to fundamental breach by the contractor. Further, the Institute had not sought

compensation in the form of liquidated damages in line with Clause 27.1 of the contract, which provides for liquidated damages in case of delay in completion of the project.

In the circumstances, the completion of the project is doubtful and value for money for the project expenditure of Kshs.26,799,266 could not be confirmed.

2.0 Irregular Award of Tender

Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment which includes an amount of Kshs.7,215,539 in respect to additions during the year which further include Kshs.990,000 paid for the installation of six (6) solar water heaters procured through request for quotations.

Examination of evaluation committee reports revealed that the contract was awarded to the 5th lowest bidder at Kshs.990,000 with the evaluation committee citing technical capability and past experience as qualification for awarding the tender to the firm. However, the two qualifications were not stated in the quotations and therefore not clear how the evaluation committee obtained the information. The lowest bidder had quoted Kshs.553,240 resulting to Kshs.436,760 difference between the lowest bidder and the firm that was awarded the tender contrary to Section 86(1)(a) of the Public Procurement and Assets Disposal Act, 2015 which states that the successful tender shall be the one with the lowest evaluated price.

In addition, the supplier who won the tender did not provide a warranty for the solar heaters and no testing report was provided for audit review contrary to Section 48(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which stipulates that the inspection and acceptance committee shall immediately after the delivery of the goods, works or services inspect and where necessary test the goods received. Further, there was no defect liability period given and therefore the Institute would lose in the event the system failed.

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

3.0 Delayed Completion of Igembe South Technical Training Institute

Note 31 to the financial statements reflects a balance of Kshs.155,737,717 in respect to property, plant and equipment which includes an amount of Kshs.150,420,586 in respect to work in progress which further include an expenditure of Kshs.14,789,700 in respect to construction of Igembe South Technical Training Institute. Examination of records provided revealed that the works was awarded to a firm at a contract sum of Kshs.57,520,415. The agreement was signed on 22 January, 2016 for a contract period of 52 weeks starting on 24 February, 2016. Therefore, the expected contract completion time was 24 February, 2017. However, as at the time of audit in September, 2020 which is approximately 220 weeks since project commencement, the project was not complete and no evidence on action the Institute has taken against the firm contrary to Section 140 (b) of the Public Procurement and Asset Disposal Act, 2015 which provides that the contractor shall be liable to liquidated damages for delayed performance.

In addition, and as previously reported, a review of the respective project file revealed that twelve firms had bided. However, the firm with the lowest bid of Kshs.51,664,330 which was Kshs.5,856,085 lower than the awarded bidders sum was not awarded. The tender processing committee minutes did not justify the award to the higher bidder. The procurement process was therefore not fair, equitable, transparent, competitive and cost-effective.

Consequently, the value for money for the expenditure of Kshs.14,789,700 for the year ended 30 June, 2020 could not be confirmed and the Institute was in breach of the law.

4.0 Employee Costs

4.1 Lack of Staff Establishment

Review of the Institute's human resource function revealed that the Institute had thirty-five (35) employees as at the end of the financial year with twenty (20) of the officers being non-teaching staff while fifteen (15) were lecturers employed by the Board of Governors. However, the Institute did not have an approved staff establishment contrary to the Ministry of Education: State Department of Vocational and Technical Education Circular Ref No: MST/DTE/1/1 on staff establishment and justification for TVET institutions, which requires TVET institutions to develop a staff establishment with clear justifications for consideration and approval by the Public Service Commission.
In the circumstances, the Management is in breach of the law.

4.2 Staff Ethnic Composition

An analysis of the ethnic composition of the Institute in the year under review revealed the Institute had 35 employees out of which twenty-eight (28) or (80%) of the employees are from the dominant ethnic community contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public establishment shall have more than one third of its staff from the same ethnic community.

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

5.0 Non-Submission of Financial Statements

As reported in the previous year, the Institute's Board of Governors has not submitted its financial statements for audit by the Auditor-General for the four (4) financial years ended 30 June, 2014 to 30 June, 2017 contrary to Section 29(2) of the Technical and Vocational Education and Training Act, 2013 which stipulates that a Board of Governors of a public institution shall within a period of four months from the end of each financial year, submit to the Auditor-General the accounts of the institution together with a statement of income and expenditure of the institution during that year and balance sheet of the institution on the last day of that year.

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

6.0 Errors in Presentation of the Financial Statements

The Institute's financial statements provided for audit reflects the following anomalies;

i) Several pages in the financial statements reflects "xxxx" as part of the financial statements information instead of information relevant to the Institute.

ii) Several Notes to the financial statements and appendix I to the financial statements reflects blank tables without the relevant data and information.

iii) Note 15 to the financial statements reflects "electricity and electricity" instead of "electricity and water".

iv) Page 1 to the financial statements indicates "statement of financial performance" for the year ended 30 June, 2020 instead of "statement of financial performance".

Consequently, the annual report and the financial statements for the year ended 30 June, 2020 are not in the format prescribed by the Public Sector Accounting Standard Board (PSASB).

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Lack of Internal Audit Department

As reported in the previous year, the Institute had not established an internal audit unit as at 30 June, 2020 as required by Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that every National Government entity shall ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. The internal audit would have performed various roles stipulated by Section 73(3) of the Public Finance Management Act, 2012 including risk assessment, putting in place a risk register, assessing the internal controls mechanism.

In the circumstances, the risks may have remained unidentified hence no mitigation policies in place.

2.0 Non-Establishment of Audit Committee

As reported in the previous year, the Institute had not established an Audit Committee as required by Section 73(5) of the Public Finance Management Act, 2012 which stipulates that every national government public entity shall establish an audit committee whose composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Section 175 of Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk, control and governance and associated assurance but the responsibility over the management of risk control and governance processes remains with the Management of the concerned entity and follow up on the implementation of the recommendations of internal and external auditors.

In the circumstances, oversight and overall governance of the Institute could not be confirmed.

3.0 Information, Communication and Technology (ICT) Environment

As reported in the previous year, a review of the Institute's ICT environment revealed that there was no formal approved ICT policy in place during the year under review which includes data security policy and disaster recovery plans. Further, the Institute's ICT structure was not provided for audit review. In addition, during the year under review, the Institute did not have an Information Technology (IT) steering committee for ensuring effective IT controls and strategies.

In the circumstances, the security and reliability of the Institute's data including its management information system could not be ascertained.

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 Board of Governors

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 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 Institute's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable of accounting unless Management is aware of the intention to terminate the Institute 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.

The Board of Governors is responsible for overseeing the Institute'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 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 audit 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 Institute'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 Institute'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 Institute to cease to continue to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate 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.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 February, 2022