

REPORT OF THE AUDITOR-GENERAL ON EMINING TECHNICAL TRAINING INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Emining Technical Training Institute set out on pages 1 to 39, which comprise the statement of financial position as at 30 June, 2019, statement of financial performance, statement of changes in equity, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Errors in Annual Reports and Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors: -

- i. The Corporate Governance Statement at page xii indicates the names of the board members and the meetings held instead of a statement,
- ii. The statement of comparison of budget and actuals amounts has alterations made by hand,
- iii. The statement of financial performance footnote reads the notes set out on pages 17 to 33 forms an integral part of the financial statements instead of pages 6 to 39,
- iv. The figures in the statement of cash flow have not been referenced to the corresponding disclosure notes to the financial statements,
- v. Note 45 at page 34 on financial risk management reflects the financial year as 20xx instead of 2019;
- vi. Appendix I at page 39 is unsigned; and

- vii. Appendix III on Inter-entity transfers has been signed off by the board chairman and the accounting officer instead of the finance manager and the head of accounting unit of the Ministry of Education.

This is contrary to the format prescribed by the Public Sector Accounting Standard Board (PSASB) and as per Section 194(1)(d) of the Public Finance Management Act, 2012.

Consequently, the presentation and disclosure of the annual report and the financial statements as prepared and presented are not compliant with the prescribed format.

2. Inaccuracies and Errors in the Financial Statements

2.1 Variances Between Financial Statements and Supporting Schedules

The financial statements prepared and presented for audit and the support schedules had variances resulting to unexplained variance amounting to Kshs.4,502,177 as detailed below;

Component	Note	Financial Statements (Kshs.)	Supporting Schedule (Kshs.)	Variance (Kshs.)
Government Grants	6	11,595,000	15,595,000	4,000,000
Cash and Cash Equivalents	27	3,900,076	4,400,286	500,210
Trade and Other Payables	35	7,293,928	7,295,895	1,967
Total		22,789,004	27,291,181	4,502,177

Further, the statement of comparison of budget and actual amounts had an over casting error on actual expenditure amounting to Kshs.2,681,908. The reported expenditure of Kshs.36,852,173 should have been Kshs.34,170,265. In addition, Note 27(a) to the financial statements had casting error amounting to Kshs.1,104,010 on current accounts balances reported as Kshs.4,394,388 instead of Kshs.3,290,378 resulting to a casting error amounting to Kshs.1,104,010.

2.2 Inaccurate Statement of Cash Flows

The statement of cashflows has inconsistencies and inaccurate presentation and disclosure as detailed below:-

- i. The statement of cash flows reflects transfers from other government entities of Kshs.18,487,795 with no corresponding disclosure Note, which differs with the statements of financial performance amount of Kshs.11,595,000 resulting to an unexplained and unreconciled variance amounting to Kshs.7,252,795,
- ii. The statement of changes in net assets reflects capital grants amounting to Kshs.3,252,795 which has been omitted in the statement of cashflows.
- iii. The statement of cash flows reflects an opening cash and cash equivalents balance of Kshs.9,357,971 which differs from the audited closing balance for the prior year of Kshs.8,632,045 resulting to an unexplained and unreconciled variance amounting to Kshs.725,926,

- iv. The statement of cash flows reflects prior year net increase or decrease in cash and cash equivalents balance of Kshs.6,512,982 which differs with the prior year audited negative balance of Kshs.5,043,801 resulting to an unexplained and unreconciled variance amounting to Kshs.11,556,783,
- v. The statement of cash flows reflects examination fees and general expenses amounting to Kshs.2,694,520 and 12,969,520, respectively which differs with the prior year audited amount of Nil and Kshs.13,549,212, respectively resulting to an unexplained and unreconciled variance amounting to Kshs.2,694,520 and Kshs.579,692.

Consequently, the accuracy, completeness, presentation and disclosure of the financial statements could not be confirmed.

3. Unconfirmed Salaries and Wages

The statement of financial performance reflects expenditure on employee costs amounting to Kshs.5,464,092. However, there were no payrolls nor master rolls in support of the expenditure.

Consequently, the completeness and validity of the employee costs amounting to Kshs.5,464,092 could not be confirmed.

4. Deposits Held in a Non-Financial Institution

As previously reported, the cash and cash equivalents in the statement of financial position reflects a balance of Kshs.3,900,076 and as disclosed in Note 27 to the financial statements which includes a balance of Kshs.556,093 held in a Sacco. However, no authority has been sought from The National Treasury to operate the account in a non-financial institution.

Consequently, the Institute is in breach of the Law.

5. Property Plant and Equipment

5.1 Lack of Land Ownership Documents

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.94,939,368 which includes value of land amounting to Kshs.15,000,000. However, there are no ownership documents to the land parcels. In addition, the basis for the land value of Kshs.15,000,000 could not be established as this was neither based on historical cost nor valuation.

5.2 Unaccounted for Donated Equipment

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.94,939,368 which excludes equipment donated in the asset register comprising of equipment, furniture and computers as the value has not been determined.

Consequently, the accuracy, completeness and ownership of the property, plant and equipment balance of Kshs.94,939,368 could not be confirmed.

6. Budget Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.90,828,500 and Kshs.43,113,395, respectively resulting to an under-funding of Kshs.47,715,105 or 53% of the budget. Similarly, the Institute expended Kshs.34,170,265 against an approved budget of Kshs.90,828,500 resulting to an under-expenditure of Kshs.8,943,130 or 21% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

7. Lack of Risk Management Policy

The Institute does not have a risk management policy in place. This is contrary to the provisions of Section 165(1) of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

Consequently, the Management was in breach of law.

8. Lack of Information Technology Strategy

There is no IT strategy in place which could provide guidance to IT-related decision-making processes, with IT task prioritized and implemented using the plan as a framework. The Institute did not produce the minutes of the strategic committee meetings. In addition, the management has no back-up data stored in an off-site location.

Consequently, the Institute might not recover from an interruption and this may affect the business-continuity and recovery plan.

9. Lack of Internal Audit Function and Audit Committee

The Institute does not have in place a functional internal audit department and neither did it have an audit committee. This results in an inability to detect inefficiencies or deficiencies. In view of the above, the Management may lack complete and objective insight into the effectiveness of their risk management, internal control and overall governance processes as well as their evaluation and improvement thereof. This was contrary to Section 73 (4)(5) of the Public Finance Management Act, 2012 which requires entities to establish an Internal audit function and an Audit Committee of the board.

Consequently, the Institute's risk management, internal control and overall governance processes as well as their evaluation and improvement could not be confirmed.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Responsibilities of Management and the 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability 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 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 financial reporting process, reviewing the effectiveness of how the Institute 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

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Emining 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2022