

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Bumble Technical Training Institute set out on pages 1 to 45, which comprise the statement of financial position as at 30 June, 2020, 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 the Bumble 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 comply with the Technical and Vocational Education and Training Act, 2013 .

Basis for Qualified Opinion

1. Variances Between Financial Statements and Supporting Schedules

The financial statement balances for the year ended 30 June, 2020 vary with supporting schedules which have not been reconciled as shown below;

Financial Statement Balance	Financial Statements (Kshs.)	Ledger/ Schedule (Kshs.)	Variance (Kshs.)
Rendering of Services	51,420,678	56,429,970	(5,009,292)
Sale of Goods	6,578,586	3,686,064	2,892,522
Cash and Cash Equivalents	32,272,750	32,196,849	75,901
Property, plant and Equipment	216,704,001	216,756,245	(52,244)
Trade and Other Payables	6,656,460	8,020,765	(1,364,305)
Refund to Chemasiri TVC	2,176,200	3,206,520	(1,030,320)

Consequently, the accuracy of the figures in the financial statements could not be confirmed.

2. Unsupported Income from Rendering of Services

The statement of financial performance shows that the Institute received fees from students amounting to Kshs. 51,420,678 and a summary of the same provided in Note 6 of the financial statements. However, the breakdown for various elements under Note 6 was not provided for audit verification.

Consequently, the accuracy of income from rendering of services could not be confirmed.

3. Non-Disclosure of Cost of Goods Sold

The statement of financial performance indicates that during the year under review, the Institute realised Kshs.6,578,586 only from sale of goods resulting into a reduction of Kshs.1,478,171 compared to Kshs.8,056,757 realised in the financial year 2018/2019. The amount of sale of goods is realised from income generating activities carried out by the institute including catering services, hire of institution facilities such as school bus, carpentry services and welding services. However, Management has not disclosed nor supported corresponding expenditure incurred to enable the Institute provide these services and generate the income.

In the circumstances, it is not possible to confirm whether the revenue is gross or net of expenditure.

4. Failure to Maintain an Updated Assets Register

The statement of financial position reflects property, plant and equipment balance of Kshs.216,704,001 as at 30 June, 2020 as disclosed in Note 19 to the financial statements. However, a copy of the asset register generated from the system maintained by the Institute does not include full details of the assets including location/user, unique identification number and condition. Further, three Institute vehicles, whose net book values are indicated as nil are still in use and have not been revalued. In addition, equipment donated to the Institute have not been given a proper description and their values reflected in the fixed assets register.

In the circumstances, it was not possible to confirm the existence, accuracy and valuation of the property, plant and equipment in the financial statements.

5. Unsupported Balances in the Statement of Changes in Net Assets

The statement of changes in net assets reflects balances brought forward of retained surplus and capital development grants of Kshs.21,099,030 and Kshs.229,909,186 respectively which have not been supported. Further, Note 21 to the financial statements on borrowings reflects disclosure on grants and subsidies for Mungatsi TVC, Dr.Wako Murende TVC and Chemasiri TCV totaling Kshs.5,834,020. However, the balances were not included in the statement of changes in net assets. In addition,

the statement reflects, capital additions during the year of Kshs.6,375,285 which have not been explained.

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

6. Unexplained Variances in Total Expenditure

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects total expenditure for actual on comparable basis of Kshs.60,118,770. However, the statement of financial performance reflects total expenditure of Kshs.70,706,566. The variance of Kshs.10,587,796 has not been reconciled.

Consequently, the accuracy of the statement of financial performance and statement of comparison of budget and actual amounts could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Bumbe 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 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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.386,140,221 and Kshs.79,249,149 respectively resulting to an under-collection of Kshs.306,891,072 or 79% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.90,247,520 and Kshs.62,847,679 respectively resulting to an under-expenditure of Kshs.298,814,542 or 83% of the budget.

Based on the approved estimates, under collection and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Long Outstanding Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.6,656,460 as disclosed in Note 20 to the financial statements. However, a review of the balances revealed that they had been outstanding for a long period of time, some dating to 2018/2019 and earlier years.

Further, the Institute has no documented policy on payables and no explanation was provided on how the Management intends to limit unfavorable increase in payables as the trend could discourage suppliers of goods and services to the institute, some of whom may resort to legal action.

3. Unsupported Comparative Balances

As previously reported, the financial statements for the year ended 30 June, 2019 reflect comparative balances for 2017/2018 financial year. However, being the first year of audit, documents to support the comparative balances reflected in the statement of financial position, statement of financial performance and statement of changes in net assets were not provided for audit review.

Consequently, the accuracy of opening balances for the year ended 30 June, 2019 could not be confirmed.

4. Lack of Signed Agreement -Erection of Mast by Safaricom Kenya Ltd

Review of records maintained by the Institute revealed that Safaricom Kenya Ltd proposed to erect a mast for internet connectivity at the Institute whose works commenced on 28 September, 2018 with the acknowledgement of the Institute Board of Management. However, a contractual agreement was to be signed by the Principal Secretary to The National Treasury on behalf of the Institute but two and half years later there is no binding agreement despite the fact that the mast was commissioned and is operational.

Further, the erection and commissioning of the mast at the Institute comes with financial benefits since the service provider is obligated to pay fees for the use of the lessor's (Bumbe TTI) premises. However, no records were provided of the revenue earned by the Institute from the use of its premises.

Consequently, in the absence of a written agreement it was not possible to determine the extent to which Safaricom is indebted to the Institute.

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, I confirm that, except for the matter discussed in the Basis for Conclusion of Lawfulness and Effectiveness in Use of Public Resources 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

Proposed Erection and Completion of Twin Workshop, Classrooms and Office Block at Khwisero TVC.

The contract for proposed erection and completion of twin workshop, classrooms and office block at Khwisero TVC was awarded to a contractor. The project was handed over to the contractor on 14 June, 2019 for a duration of forty six (46) weeks and was expected to be completed on 4 March, 2020. However, the work had stalled and the contractor was not on site at the time of audit inspection. Other works not completed include plastering, mechanical works, electrical finishes and painting.

Further, the contractor had been paid Kshs.28,571,403 out of works valued at Kshs.47,890,168 and the balance of Kshs.19,318,765 has remained unpaid as at 30 June, 2020. There was no evidence that inspection and acceptance committee was ever appointed and carried out inspection of the works carried out to ascertain the certificates issued and amounts paid for the project.

Consequently, the public may not have received value for the amount so far spent on the project which was supposed to be completed and put to use in March, 2020.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective

Basis for Conclusion

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 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 basis 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.

Those charged with governance are responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how the entity 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 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 Institute policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2022