

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Godoma Technical Training Institute set out on pages 1 to 39, which comprise 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 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 of Godoma Technical Training Institute. 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. Inaccuracies in the Financial Statements**

The financial statements for the year ended 30 June, 2020 have inaccuracies as detailed below:-

- i. The statement of financial performance reflects rendering of service - fees from students amounting to Kshs.59,445,484 while the supporting schedule reflects an amount of Kshs.64,470,484, resulting to un-explained and un-reconciled variance totalling to Kshs.5,025,000,
- ii. The statement of comparison of budget and actual amounts reflects total revenue amounting to Kshs.76,093,814. However, re-casted total amounting to Kshs.79,302,144, resulting to a difference amounting to Kshs.3,208,330 which has not been explained or reconciled,
- iii. Note 8 and 9 to the financial statements reflects sale of goods and other income amounting to Kshs.178,460 and Kshs.416,761 whereas the statement of financial performance reflects nil and Kshs.595,221 under sale of goods and other income respectively.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **2. Unconfirmed Bank Balances**

As disclosed in Note 16 to the financial statements, the statement of financial position reflects cash and bank balances of Kshs.29,356,596 composed of Kshs.29,212,740 and Kshs.109,508 in respect to current and development bank account respectively. However, the supporting cashbooks and bank reconciliation statements were not provided for audit verification, contrary to Regulation 90(1) of the Public Finance Management - (National Government) Regulations, 2015.

Consequently, the accuracy and completeness of bank account balance of Kshs.29,356,596 could not be confirmed and the management is in breach of the Law.

## **3. Unconfirmed Property and Equipment**

As previously reported, the statement of financial position reflects property and equipment balance of Kshs.109,991,558 and as disclosed in Note 20 to the financial statements. However, the balance excludes undetermined values of high value automotive training equipment, machines, computers and computer accessories and furniture and fittings which were handed over on 24 August, 2015 to the institution by Kenya Coast National Polytechnic. This is contrary to Regulation 141(1) of the Public Finance Management (National government) Regulations, 2015.

Further, the institution does not have an assets register in place to track all the assets it owns or finance policy and procedures manual to guide on the rates of depreciation and amortization of property and equipment. In addition, Furniture, fittings and equipment whose opening net book value was an amount of Kshs.1,521,260 which has not been depreciated.

Consequently, the accuracy, valuation, ownership and completeness of the property and equipment balance of Kshs.109,991,558 could not be confirmed.

## **4. Receivables from Exchange Transactions**

As disclosed in Note 17 to the financial statements, the statement of financial position reflects receivables from exchange transactions balance of Kshs.15,951,237. Included in the balance is Kshs.15,920,237 attributable to student debtors, out of which an amount of Kshs.5,572,092 is owed by students who had completed their studies. However, ageing analysis of the receivables and approved policy on debtors' Management were not availed for audit.

Consequently, the accuracy and completeness of receivables from exchange transactions balance of Kshs.15,951,237 as at 30 June, 2020 and recoverability of the of student debtors balance of Kshs.5,572,092 could not be confirmed.

## **5. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.172,163,207 and Kshs.79,302,144 respectively resulting to an under-funding of Kshs.92,861,063 or 54% of the budget. Similarly, the

Institute expended Kshs.43,200,198 against an approved budget of Kshs.103,027,230 resulting to an under-expenditure of Kshs.59,827,032 or 58%, of the budget.

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

## **6. Non Conformity to the Prescribed Format**

The financial statements for the year ended 30 June, 2020 does not have Management Discussion Report and Analysis.

Consequently, the financial statements as presented do not comply with International Public Sector Accounting Standard No.1 on presentation of financial statements as prescribed and published by the Public Sector Accounting Standards Board.

## **7. Unbalanced Overall Budget**

The statement of comparison of budget and actual amounts reflects final revenue budget amounting to Kshs.172,163,207 against final expenditure budget amounting to Kshs.103,027,230 resulting to unbalanced budget amounting to Kshs.69,135,977. This is contrary to Regulation 33 of the Public Finance Management (National Government) Regulations, 2015 which requires an entity at all times to formulate and approve a balanced budget.

## **8. Delay in Completion of Proposed Construction of Staff Houses**

As disclosed in Note 20 to the financial statements, the statement of financial position as at 30 June, 2020 reflects property and equipment balance of Kshs.109,991,558. Included in the balance is Kshs.8,444,428 in respect of works-in-progress. The amount relates to payment to a contractor for construction of the Principal's house and other staff quarters. The contract was awarded at a contract sum of Kshs.23,924,385 and signed on 27 June, 2018 with expected completion period of fifty-two (52) weeks (about one year). An amount of Kshs.11,741,162.60 had been paid to the contractor as at the close of the financial year ending 30 June, 2020.

However, inspection of the project in the month of February, 2021 revealed that tiling, plumbing, electrical fittings and painting works had not been done in the Principal's quarters while the staff houses had no doors and windows neither had plumbing and electrical works been done. As such, the project is behind schedule by nineteen (19) months contrary to Regulation 23(2)(e) of the Public Finance Management (National Government) Regulations, 2015.

Consequently, the Institute may not get value for money amounting to Kshs.11,741,162.60 so far spent on the project and the management is in breach of the Law.

## 9. Projects for Mentored Institutions

As previously reported, Godoma Technical Training Institute is mentoring two other colleges; Waresa Technical Training Institute in Magarini Constituency and Gandani Technical Training Institute in Rabai Constituency with a total cost of Kshs.48,179,060. However, the management did not operate separate bank accounts for the two Institutes or a separate retention account for the contractor's retention monies. As such, there is risk of diversion of funds earmarked for the two Institutes to financial operations of Godoma Technical Training Institute.

Further, the following observations were made with regard to the two projects;

<b>Project Name</b>	<b>Details of the Contract</b>	<b>Amount paid as at 30 June 2019 (Kshs)</b>	<b>Observations</b>
Gandani Technical Training Institute in Rabai Constituency	Erection and completion of twin workshop, classrooms and offices block (2 storey building)	12,196,040	The Project's contract sum amounted to Kshs.51,632,172 and the contract was signed on 11 September, 2017. The project was to be completed within a duration of 52 weeks. The project has since stalled with the ground slab done and columns erected.
Waresa Technical Training Institute in Magarini Constituency	Erection and completion of twin workshop, classrooms and offices block (2 storey building)	11,545,851	As reported previously, the Project contract sum amounted to Kshs.54,865,865 and the contract was signed on 19 November, 2015. It was to be completed in a duration of 52 weeks. However, the contract was terminated on 18 August, 2017 due to poor workmanship after the contractor had been paid Kshs.11,545,851.20. Evidence of efforts to recover the amount paid to the contractor after breach of contract was not availed for audit.
	Erection and completion of twin workshop, classrooms and offices block (2 storey building)	24,437,169	The contract sum amounted to Kshs.57,827,311 and the contract was signed on 27 June, 2018. The project was to be completed in 52 weeks (about one year). However, as at February, 2021 the project was 85% complete; roofing, staircase, doors, mechanical works, plastering, wiring and floor finishes had been done but painting, electrical fittings, mechanical fittings and external works on the veranda had not been done.
<b>Total</b>		<b>48,179,060</b>	

As a result, the two Institutes are not getting value for money due to delayed project completion contrary to with Section 72(1)(b) of the Public Finance Management Act, 2012.

#### **10. Lack of Internal Audit and Audit Committee**

As previously reported, Godoma Technical Training Institute operated during the year ended 30 June, 2020 without an Internal Audit Unit and Audit Committee. This is contrary to Section 73 subsection (5) of the Public Finance Management Act, 2012 which states that 'every national government public entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations'.

In the circumstances, the Institute is in breach of the Law and lacks monitoring mechanism to check on its operations as envisaged in the Public Finance Management Act, 2012.

#### **11. Failure to Develop Risk Management Strategy**

As previously reported, the Godoma Technical Training Institute Board did not develop risk management strategies during the year under audit. Without a risk management strategy, the Board may not be effective in managing a robust business operation of the Institute. This is contrary to Section 165(1) of the Public Finance Management (National Governments) Regulations, 2015 which requires the Accounting Officer of the National Government entity to develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

In the circumstances, the Institute is in breach of the Law and may fail to develop a system of risk management and internal control that builds robust business operations as required by the Public Finance Management (National Government) Regulations, 2015.

#### **12. Lack of Human Resource Policy, Scheme of Service and Staff Establishment**

As previously reported, the Institute does not have Human Resource Department nor formulated Human Resource Policy, Scheme of Service and Staff Establishment to guide the management on administrative and personnel matters. This is contrary to Chapter One Paragraph 1.2 of Mwongozo which bestows the Board of Directors with roles and functions which include setting and overseeing the overall strategy and approval of significant policies of the organization and organizational structure.

In the circumstances, the Institute is in breach of the Law and may fail to operate in an effective, efficient, economical and transparent manner as required by Mwongozo.

## 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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 systems and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Conclusion on Effectiveness of Internal Controls, Risk Management and Governance 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 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Institute's ability to sustain services, disclosing, as applicable, matters related to sustainability of service 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.

The Board of Governors is 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**

My responsibility is to conduct an audit of the Institute's 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 Godoma 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**

**10 February, 2022**