REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE OF CURRICULUM DEVELOPMENT FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute of Curriculum Development set out on pages 1 to 30, which comprise of the statement of financial position as at 30 June, 2021, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Kenya Institute of Curriculum Development as at 30 June, 2021, 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 Kenya Institute of Curriculum Development Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unclear Basis for Corporate Taxation

The statement of financial performance and as disclosed in Note 19 to the financial statements reflects corporation tax Kshs.38,245,000 (2020 - Kshs.1,384,000). However, the basis and computation of the taxation charge for the year, have not been disclosed.

In the circumstances, the accuracy and completeness of the reported taxation charge for the year could not be confirmed.

2. Unsupported Decrease in Provision for Doubtful Debts

The statement of financial performance reflects other income amounting to Kshs.73,195,000. The amount, as disclosed in Note 9 to the financial statements include a decrease in provision for doubtful debts of Kshs.6,300,000. The decrease was recorded despite an increase in receivables of Kshs.56,769,000 or 91%. However, the decrease in provisions reflected which is also reflected in Note 21 to the financial statements were not supported by of a detailed schedule and analysis. Further, disclosure Note 27 referenced to the provisions relates to refundable deposits from customers. The policy of the Institute requires a specific provision for decreased debtors and a general provision 5% of all the remaining receivables. It was not clear if any of the specific provisions from the prior year period were recovered.

In the circumstances, the accuracy and completeness of decrease in provisions for doubtful debts could not be confirmed.

3. Unsupported Donor and Partners Expenditure

The statement of financial performance reflects donors and partners expenditure amounting to Kshs.3,002,722,000 as disclosed in Note 15 to the financial statements. The expenditure relates to programs for curriculum reform, digital literacy, secondary education quality improvement programme, textbook program, Covid-19 education and other donors and partners expenses which are supported through external partners loans and grants. However, supporting documents for the expenditure such as payment vouchers and procurement records were not provided for audit.

In the circumstances, the accuracy, completeness and regularity of the donor and partners expenditure of Kshs.3,002,722,000 could not be confirmed.

4. Unsupported Adjustments to Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment with a net book value of Kshs.4,490,172,000. However, review of the financial statements revealed that the values were adjusted during post-audit from an initially reported book value of Kshs.4,178,013,000 resulting in a variance of Kshs.312,159,000. The adjustments were not supported by detailed workings and journal entries.

In addition, the property, plant and equipment values include work-in-progress valued at Kshs.1,271,340,000. However, the works were not supported by a summary of projects being undertaken, the status report of the projects, valuation reports, certificates for certified works and the location of the individual projects.

In the circumstances, the accuracy, and completeness of property, plant and equipment of Kshs.4,490,172,000 as at 30 June, 2021 could not be confirmed.

5. Lack of Assets Capitalization Policy

The statement of financial position reflects net book value of property, plant and equipment of Kshs.4,490,172,000. The amount includes Kshs.130,575,000 in respect of asset additions during the year as reflected in Note 24 to the financial statements. However, review of the accounting policies as stated in the financial statements revealed that the Management has not put in place any policy on capitalization of assets acquired during the year.

Further, the statement reflects intangible assets of Kshs.5,710,000. However, a 30% rate for amortization of intangible assets does not explicitly amortize the assets to zero and no salvage values are assigned to the intangible assets.

In the circumstances, the accuracy and completeness of the reported balance of Kshs.5,710,000 on intangible assets could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Institute of Curriculum Development 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

Unresolved Prior Year Audit Matters

In the audit report of the previous year, issues were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board, templates.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, 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

1. Slow Progress in Completion of Education Resource Centre

The Institute initiated a project of construction of an Education Resource Centre (ERC) in 2011 with the purpose to strengthen the capacity of the Institute in developing practical, quality, and relevant curricula that conforms to the ideals of Kenya Vision 2030. The ERC project was envisaged to have six phases comprising laboratories and workshops, educational media studios and e-learning building, a demonstration hall, seminar rooms and administration building, an auditorium building, accommodation and conference facilities buildings and entrepreneurial and business development and materials dissemination.

Upon completion, the facility would enhance the development of curricula that would improve quality, equity and access to education, through the promotion of science, technology and innovation. Works for phase 1 of the project were tendered through a restricted tender and awarded to a local contractor at a sum of Kshs.786,583,506.80 in May, 2013.

Review of the contract implementation and analysis of payments provided for audit revealed that the contractor was required to submit two performance guarantee equivalents to 10% of the contract price or Kshs.78,658,351. However, the performance bond was not provided for audit. In addition, the site was handed over in July, 2013, and works were expected to be completed in April, 2015.

As at the time of audit, several elements of the contractual works were pending, and no evidence was provided for audit on the request and approval of the extension of works by the contractor. Council minutes of a meeting held on 20 December, 2016 indicated that a variation to the contract amounting to Kshs.67,811,448 was approved. However subsequent approvals of the variations were not available for verification. Consequently, the current estimated cost of phase 1 of the project could not be confirmed.

Further, the supervising consultant architect had been paid a total of Kshs.577,279,587. However, the terms, extent, and cost of the engagement with the Institute could not be confirmed since no contract was provided for audit.

In the circumstances, value for money may not be realized.

2. Loss on the National Resource Centre

The statement of financial performance reflects a net loss of Kshs.4,604,000 from the National Resource Centre (NRC). According to Note 6 to the financial statements, the Institute operates the Resource Centre for purposes of income generation. However, the Centre made a loss during the year under review implying that the Institute resources were utilized to operate the Centre. The Management needs to review the business model of the Centre and implement strategies that will ensure it is able to break even.

In the circumstances, losses from the Centre may have negatively impacted on service delivery to the public.

3. Non-Compliance with the Law on Ethnic Composition

Review of the Institute staff data revealed that one ethnic community accounted for 34% of its permanent staff. This is contrary to Section 7(2) of the National Cohesion and Integration Act, 2008 which states that no public institution shall have more than one third of its staff establishment from the same ethnic community.

As a result, Management was in breach of the law.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Unapproved Council and Committee Meetings

The statement of financial performance reflects Council expenses of Kshs.11,501,000 as disclosed in Note 11 to the financial statements. Review of the Institute Council activities revealed that nineteen (19) Council meetings and twenty-eight (28) Committee meetings were held. The number of meetings during the year exceeded the stipulated maximum of six (6) meetings in a financial year. This was contrary to Circular Ref. OP/CABS/IA which requires justification and approval by the relevant Cabinet Secretary for any extra Board meetings including Special Board meetings above the maximum number specified.

In the circumstances, the regularity of expenditure amounting to Kshs.11,501,000 in respect of council expenses could not be confirmed.

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 controls, 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 the Council

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 controls, risk management and overall 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.

The Council 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 overall 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 controls 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 controls 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 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 controls.

- 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 controls 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

14 October, 2022