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Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL INDUSTRIAL TRAINING AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,

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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 National Industrial Training Authority set out on pages 1 to 48, which comprise of the statement of financial position as at 30 June, 2025 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 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 National Industrial Training Authority as at 30 June, 2025 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 Industrial Training Act, 2022 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Land Without Ownership Documents

The statement of financial position and as disclosed in Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.9,080,863,155 which includes land value of Kshs.6,608,300,000. As previously reported, title deeds of five parcels of land located in Nairobi, Kisumu, Athi River and two parcels of land in Mombasa have not been acquired. Further, land in Mombasa measuring 12.91 hectares valued at Kshs.1,260,000,000 belonging to the Authority was irregularly allocated to a private developer in exchange of another parcel of land measuring 6.2 hectares. However, no effort has been made to reclaim the irregularly allocated land.

In the circumstances, the accuracy, ownership and fair presentation of land balance of Kshs.6,608,300,000 as at 30 June, 2025 could not be confirmed.

2. Failure to Revalue Fully Depreciated Motor Vehicles and Lack of Log Books

The statement of financial position and as disclosed in Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.9,080,863,155 which includes Nil balance on motor vehicle with historical cost and accumulated depreciation of Kshs.98,585,575. The motor vehicles although fully depreciated are still in use and benefits continue to accrue to the Authority. However, Management has not revalued the motor vehicles to obtain the fair value contrary to Paragraph 27 of IPSAS 45 which states that after recognition as an asset, an item of property, plant, and equipment whose current value can be measured reliably shall be carried at a revalued amount. Further, three (3) out of the sixty (60) motor vehicles owned by the Authority did not have log books.

In the circumstances, the accuracy, ownership and fair presentation of property plant and equipment of Kshs.9,080,863,155 could not be confirmed.

3. Inadequate Disclosures on Deposits Held in Collapsed Banks

Note 25(a) to the financial statements discloses deposits and corresponding provision for deposits held in collapsed banks of Kshs.129,466,000 which have been outstanding for over a period of twenty (20) years. However, the disclosure has been made separately from and cash and cash equivalents contrary to the requirements of IPSAS accrual reporting framework.

In the circumstances, the disclosure on deposits held in collapsed banks of Kshs.129,466,000 is inaccurate and not IPSAS accrual reporting framework compliant.

4. Inadequate Disclosures Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 18 to the financial statements reflects receivables from exchange transactions of Kshs.400,267,278. However, the Note does not disclose the impairment allowance and does not include ageing analysis contrary to Note 30 (c) of Public Sector Accounting Standard Board template which requires analysis of receivables less than one year, between one and two years and over three years to be disclosed in the Note.

In the circumstances, the accuracy of receivable from exchange transactions of Kshs.400,267,278 could not be confirmed.

5. Inadequate Disclosures Receivables from Non- Exchange Transactions

The statement financial position and as disclosed in Note 19 to the financial statements reflects receivables from non-exchange transactions of Kshs.144,222,655 which includes staff receivables and training levy of Kshs.31,437,115 and Kshs.112,785,540 respectively. However, the Note does not disclose the impairment allowance and does not include ageing analysis contrary to Note 30(c) of Public Sector Accounting Standard Board template which requires analysis of receivables less than one year, between one and two years and over three years to be disclosed.

In the circumstances, the accuracy of receivables from non-exchange transactions of Kshs.144,222,655 could not be confirmed.

6. Inappropriate Classification of Staff Car Loan and Mortgage

Included in receivables from exchange transactions of Kshs.400,267,278 is balance of Kshs.140,000,000 described as a commercial bank Fund. However, review of Note 20 to the 2023/2024 audited financial statements on investments reveals the amount of Kshs.140,000,000 relates to the Staff Car Loan and Mortgage Scheme Fund.

In the circumstances, the presentation and disclosure of the Kshs.140,000,000 under receivable from exchange transactions could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Industrial Training Authority Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final total income budget and actual receipts on a comparable basis of Kshs.3,461,789,000 and

Kshs.2,616,721,918 respectively resulting in a shortfall of Kshs.1,275,070,916 or 37% of the budget.

In the circumstances, the revenue shortfall affected the planned activities and may have impacted negatively on service delivery to the public.

2. Long Outstanding Receivables from Exchange Transaction

The statement of financial position and as disclosed in Note 18 to the financial statements reflects receivables from exchange transactions of Kshs.400,267,278 which includes Kshs.18,758,885 which relates to bounced cheques. These are receivables that have been outstanding for more than 10years. Further, included is receivables amount of Kshs.12,823,321 deposited in a commercial bank irregularly opened by a staff member which was lost. The matter was reported to the police in 2017 and the matter is in court; criminal case 212 of 2017.However, no recovery has been made.

In the circumstances, the accuracy of recoverability of the amounts could not be confirmed.

3. Unsustainable Service Delivery on Trade Test and Conferences

The statements of financial performance and as disclosed in Note 8 to the financial statement reflects revenue- rendering of services of Kshs.765,622,401 which includes trade test fees of Kshs.596,541,321 and conference of Kshs.14,038,182. However, note 11 to the financial statement reflects use of goods-trade test expenses amount of Kshs.834,612,020 and conference expenses of Kshs.23,454,056. This indicates the Authority over spent Kshs.238,070,699 and Kshs.9,415,874 on trade test and conferences respectively.

In the circumstances, the sustainability of services on trade test and conferences is doubtful.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. Review of the status during audit of the Authority in 2024/2025 revealed that several matters remained unresolved as at 30 June, 2025 as detailed in **Appendix I**.

Other Information

The Management is responsible for the Other Information set out on page iii to xliii which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Director General, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and the Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's, financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Unremitted Training Levies

The statement of financial position and as disclosed in Note 24 to the financial statements reflects account payables amounts of Kshs.977,608,996 which includes unremitted training levies of Kshs.277,084,833, due to Technical and Vocational Education and Training institutions (TVET) of Kshs.184,723,222 and the Higher Education Loans Board (HELB) of Kshs.92,361,611 for the financial year 2022/2023.

This contravenes Section 5C 2(b) and (c) of Industrial Training Act, 2024 which states that the Director-General, shall not later than the fifteenth day of each month pay twenty percent of the training levies collected shall be used for funding the establishment and operation of technical and vocational education and training institutions established across the country and ten percent of the training levies collected shall pursuant to section 12(1)(e) of the Higher Education Loans Board Act be allocated and disbursed to the Higher Education Loans Management Board.

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

2. Delayed Implementation of Modern Gate Project at NITA Kisumu

The statement of financial position and as disclosed in Note 21 to the financial statement reflects property, plant and equipment balance of Kshs.9,080,863,155 which includes building additions of Kshs.20,078,512. Included in building additions is Kshs.6, 277,026 paid to a contractor relating to construction of Modern Gate works at NITA Kisumu. The contract was awarded to the contractor on 11 July, 2024 at a contract sum Kshs.9,216,700 and was due for completion in one year from the date of the execution of the agreement.

However, as the time of audit in September 2025, the project was still incomplete with the contractor not on site, two (2) months past the project completion date contrary to Section 48(3) and (c) of the Public Procurement and Asset Disposal Act 2015 which states that, the inspection and acceptance committee shall ensure that the goods, works or services have been delivered or completed on time.

Further, the project implementation status report provided by the Ministry of Lands, Public Works, Housing and Urban Development and minutes signed on 2 July, 2025 highlighted several pending works which include water proofing to concrete roofs, painting and decoration, electrical cabling and fittings, sanitary fittings , CCTV installation, lighting protection, terrazzo to verandah and access ramp, guard rails to verandah and access ramp, cabro works installation, gate barrier installation and general site clearance.

Though a certificate of partial completion was issued on 8 July, 2025 no current project implementation status report was provided for audit and it cannot be confirmed if the project is completed. Further, the supplier had issued an anticipation notice on 30 July, 2025 citing delay in honoring payment certificate in which he declared a demand interest on delayed payments as per the contract.

In the circumstances, value for money has not been realized on the incomplete gate.

3. Avoidable Contingent Liabilities: Court Litigations

The statement of financial performance and as disclosed in Note 30 to the financial statement reflects contingent assets and contingent liabilities of Kshs.1,179,228,006 as at 30 June, 2025 which reflects an increase of Kshs.831,065,685 or 239%

Further, Note 30 to the financial statements includes an amount of Kshs.44,500,000 which relates to court cases against the Authority for wrongful dismissal of former Director General (DG) contrary to Section 11.21.2 of Authority's Human Resource Policy and Procedure Manual which states that summary dismissal shall be considered in the event that an employee displays gross misconduct as defined under the Constitution 2010, Employment Act 2007, Industrial Training Act Cap 237, Public Officers Ethics Act 2003 and Leadership and Integrity Act 2012 or as may be amended.

Analysis of the former Director General's contract termination revealed that the laid down procedures were not followed thereby leading to suit via Case No .70 of 2019. The court case was concluded on 1 September, 2020 with an award of Kshs.27,600,000.00 to the former Director General which the Authority has not settled to date but filed an appeal, leading to recognition of contingent liability, court litigation.

This amount has been accruing interest at the court rates of 12% annually and currently stands at Kshs.40,000,000. If the court upholds the judgement, the Authority may suffer additional loss of Kshs.12,400,000. Had the Authority followed the correct process in terminating the Director General's contract, there would be no foreseen loss of funds.

In the circumstances, the authority may incur avoidable expenditure.

4. Long Outstanding Payables

The statement of financial position and as disclosed in Note 24 to the financial statements reflects account payables of Kshs.977,608,996 out of which payables of Kshs.478,305,406 have been outstanding for more than five (5) years without a proper plan to clear the outstanding amounts. Further, no documents were provided to support the balance. This is contrary to the National Treasury Circular No. 10/2020 Reference No. DGIPE/A/1/80 dated 16 June, 2020 which directed pending bills be treated as a first charge on the approved budgets

Failure to settle bills during the year to which they relate to adversely affects the budgetary provisions for the subsequent year as they form a first charge while Management was in breach of the law.

5. Long Outstanding Receivables from Non-Exchange Transactions

The statement financial position and as disclosed in Note 19 to the financial statements reflects receivables from non-exchange transactions of Kshs.144,222,655. Examination of the imprest register revealed that imprests amounting to Kshs.31,437,115 owed by staff were not surrendered by the due date and imprests amounting Kshs.14,077,156 are long outstanding contrary to Regulation 93(5) of the Public Finance Management (National Government) Regulations,2015 which requires imprests to be surrendered within the stipulated time of seven (7) working days from completion of the activity. No explanation was provided for the failure to recover the long outstanding advances and Imprests from the concerned employees as required by the law.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 effects of 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 governance were not effective.

Basis for Conclusion

Grounded Motor Vehicles

The statement of financial position and as disclosed in Note 21 to the financial statements reflects property, plant and equipment balance of Kshs.9,080,863,155 which includes motor vehicles has a nil value. However, motor vehicle inventory list provided for audit review revealed that eight (8) out of sixty (60) motor vehicles with undetermined values were grounded contrary to Section 164(1) and (2) of Public Procurement and Asset Disposal Act, 2015 which states that, the employee in charge of unserviceable, obsolescent, obsolete or surplus assets shall bring the matter to the attention of the disposal committee through the head of procurement function and an employee shall comply with subsection (1) within a reasonable time after the assets become unserviceable, obsolete or surplus.

In the circumstances, the effectiveness of controls over the management of fixed assets 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 the Management and Board of Directors

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 controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 December, 2025

APPENDICES

Appendix I

S/No	Audit Issue
1.	Unconfirmed Training Levy
2.	Land Without Ownership Documents
3.	Failure to Revalue Fully Depreciated Motor Vehicles and Lack of Ownership Documents
4.	Disclosures on Deposits Held in Collapsed Banks
5.	Long Outstanding Receivables from Exchange Transactions
6.	Budgetary Control and Performance
7.	Long Outstanding Trade and other Payables from Exchange Transactions
8.	Unapproved Budget
9.	Board Expenses Exceeding the Set Ceilings
10.	Failure to Prepare and Submit Financial Statements for the Authority's Staff Car Loan and Mortgage Schemes
11.	Failure to Renew Service Contract Agreement for Printers
12.	Unremitted Pay As You Earn (PAYE) Tax
13.	Staff Earning Less Than One Third of Basic Salary
14.	Employees in Acting Capacity Beyond the Stipulated Period
15.	Delays in Surrender of Imprests
16.	Lack of Approved Selection Criteria for the Female Engineering Program
17.	Grounded Motor Vehicles
18.	Lack of Data Recovery Plan and Back Up