

REPORT OF THE AUDITOR-GENERAL ON KAIMOSI FRIENDS UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kaimosi Friends University College set out on pages 28 to 63 which comprise the statement of financial assets and liabilities as at 30 June 2017, and the statement of receipts and payments, 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 respect, the financial position of Kaimosi Friends University College as at 30 June 2017, and of its performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standard (Accrual Basis) and comply with Universities Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Basis of Qualified Opinion and Other Matter sections of my report, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

1. Stalled Tuition Block and Associated Works

The statement of financial position and as disclosed under Note 16 and 17 to the financial statements reflects a balance of Kshs.103,780,345 which includes an amount of Kshs.52,994,094 in respect of capital works in progress. It was noted that the University awarded a local contractor a contract to construct twenty-four (24) units of tuition block and associated works at a price of Kshs.52,994,094 captured as work in progress in the financial statements. The components of the works include, main tuition block with 24 units of lecture rooms and 25 offices, mechanical and electrical services, access road and parking yard to paved concrete block finish and a project vehicle. However, a site visit conducted on the project revealed the following anomalies:

- The project had stalled and the contractor has left the site,
- No materials are on site.

- Certificates of work done and the contract agreement, including project timelines were not availed for audit review. The project started on 10 January 2015 and was supposed to be complete by 10 September, 2017 and seven months down the line the project is not yet complete.
- There were no progress reports from the public works officer to confirm that the construction works were supervised/inspected by a certified public works officer before payments were made.

In the circumstances, it has not been possible to ascertain the carrying value of property, plant and equipment balance of Kshs.103,780,345.

2. Tuition fees

The statement of financial performance and as disclosed under Note 2 to the financial statements reflects a figure of Kshs.55,868,150 as at 30 June 2017. A review of the tuition fees records showed actual collection figure of Kshs.55,868,150. However, schedules availed in support of receipts only added up to a figure of Kshs.50,488,289 resulting into an un-explained variance of Kshs.5,379,861.

Further, accommodation fees figure of Kshs.1,948,100 differed with the supporting schedule total of Kshs.1,450,500, leaving un-reconciled variance of Kshs.497,600.. In addition, there were other variances between the financial statement balances and the supporting schedules as detailed here below;

Item	Financial statement balances	Support schedules	Variances
Catering	5,471,360	2,524,900	2,946,460
Rent	32,500	32,000	500
Sale of tender documents	50,000	49,000	1,000
Supplementary Exams	70,000	69,000	1,000
Personal emoluments	15,046,084	14,936,815	109,269

In the circumstances, it has not been possible to ascertain the accuracy and completeness of tuition fees figure of Kshs.55,868,150 and other amounts reflected in the financial statement.

3. Revaluation Reserve

The statement of financial position shows revaluation reserve balance of Kshs.7,350,372 which was not supported with a detailed schedules and notes to the financial statements. Further, the University did not carry out any valuation/revaluation of assets during the year under review.

In the circumstances, it was not possible to ascertain validity and accuracy of the revaluation reserves balance of Kshs.7,350,372.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kaimosi Friends University College in accordance with ISSAI 30 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.

Key Audit Matters

Key audit matters are those matters that, in my professional judgments, are of most significance in the audit of the financial statements of the year under review. Except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Other Matter

1. Under Collection of Tuition of Fees

The university failed to meet its target in collection of tuition fees by Kshs 22,938,550 with a budget of Kshs 78,806,700 and actual collection of Kshs.55,868,150 which leads to a variance of 110% of its revenue target.

2. Over-Expenditure

There was an over expenditure of Kshs.2,110,697 on repair and maintenance cost leading to a variance of 159% arising from the budgeted cost of Kshs3,600,000 against the actual expenditure of Kshs.5,710,697. Also, there was an over expenditure of Kshs.1,013,920 on council expenses which led to an over expenditure of 110% of the budget of Kshs 10,000,000 against actual expenditure of Kshs11,013,920.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for such 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Constituency Development Fund or to close operations or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor-General's Responsibility for the Audit of the Financial Statements

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 of Kenya. 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.

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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the University's 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 going concern 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 Constituency Development Fund ability to continue offering 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 Constituency Development Fund to cease to continue offering services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Perform such other procedures as I consider necessary in the circumstances.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.

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.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

23 August 2018