

# **REPORT OF THE AUDITOR-GENERAL ON DR. DANIEL WAKO MURENDE TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of Dr. Daniel Wako Murende Technical and Vocational College, set out on pages 1 to 19, 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 a summary statement 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 Dr. Daniel Wako Murende Technical and Vocational College 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. Property Plant and Equipment**

As disclosed in Note 16 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.173,038,219 as at 30 June, 2020. Included in this balance is an amount of Kshs.104,459,558 for additional equipment received as grant from the Peoples' Republic of China which was not in use as at the time of audit. In addition, the management did not provide a fixed asset register to confirm the items under the property, plant and equipment.

Similarly, the property, plant and equipment balance includes buildings and structures with a balance of Kshs.63,154,246 which further include buildings valued at Kshs.54,500,748. However, the buildings balance differ with the recomputed balance of Kshs.54,099,422, resulting to a variance of Kshs.401,326 which has not been explained or reconciled.

Consequently, the accuracy and completeness of the reported property, plant and equipment balance of Kshs.173,038,219 as at 30 June, 2020 could not be confirmed.

## **2. Cash and Cash Equivalents**

As disclosed in Note 14 to the financial statements, the statement of financial position reflects cash and cash equivalents balance of Kshs.217,061 as at 30 June,2020. However, the bank reconciliation statements together with certificates of bank balance as at 30 June, 2020 were not provided. Further, the cash in hand balance of Kshs.49,504 was not supported.

In the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.217,061 as at 30 June, 2020 could not be confirmed.

## **3. Trade and Other Payables**

As disclosed in Note 17 to the financial statements, the statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.674,048 as at 30 June, 2020. The balance includes an amount of Kshs.400,000 being part payment to Bumbi Technical Training Institute. However, the purpose for the payable amount of Kshs.400,000 to Bumbi TTI was not provided.

Consequently, the accuracy of the trade and other payables balance of Kshs.674,048 as at 30 June, 2020 could not be confirmed.

## **4. Payments Made by Bumbi TTI- Refund**

As disclosed in Note 11 to the financial statements, the statement of financial performance for the year under review reflects payments made by Bumbi TTI-refund balance of Kshs.400,000 which was partial refund of Kshs.800,000 advanced by Bumbi TTI. However, a schedule of expenses from Bumbi TTI reflects a balance of Kshs.1,461,514 made on behalf of Dr Daniel Wako Technical and Vocational college.

Further, payment vouchers in support of expenses of Kshs.498,330 out of the total of Kshs.1,461,514 were not provided. In addition, it was not clear which of the expenses out of the balance of Kshs.1,461,514 constitute the advance of Kshs.800,000 and how the balance of Kshs.661,514 would be financed.

In the circumstances, the accuracy and validity of the balance of Kshs.400,000 reflected as payments made by Bumbi TTI – refund for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Dr. Daniel Wako Murende Technical and Vocational College 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.

## **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 matter described in the Basis 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**

#### **Lack of Approved Budget**

The Management did not provide an approved budget for the college for the year under review, contrary to the provisions of Section 22 of the Technical and Vocational Education and Training Act, 2013 which provides that a Board of Governors of a public institution shall prepare annual estimates of revenue and expenditure for the institution under its charge, in such form and at such times as the Cabinet Secretary may prescribe and it may incur expenditure for the purpose of the institution in accordance with estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior written approval of the Cabinet Secretary.

Consequently, the Management is 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 sections 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**

### **Non-Compliance with the Public Sector Accounting Standards Board Reporting Format**

The annual reports and financial statements for the year ended 30 June, 2020 submitted for audit did not include a statement of comparison of budget and actual amounts, contrary to the requirements of the Technical and Vocational Education Training reporting format prescribed by the Public Sector Accounting Standards Board (PSASB). Management has explained that the exclusion was because the college did not prepare a budget for the year ended 30 June, 2020.

In the circumstances, management was in breach of the requirements of the prescribed reporting format by the PSASB.

### **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 (IPSAS) 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 College's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of service and using the going concern basis of accounting unless the Board of Governors are aware of the intention to terminate the College 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 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 overall 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 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 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 the 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 College’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 College to cease to continue to sustain 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 College 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**

**11 February, 2022**