

# **REPORT OF THE AUDITOR-GENERAL ON KIMASIAN TECHNICAL AND VOCATIONAL COLLEGE FOR THE SIXTEEN (16) MONTHS PERIOD ENDED 30 JUNE, 2020**

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Adverse Opinion**

I have audited the accompanying financial statements of Kimasian Technical and Vocational College set out on pages 1 to 25, 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, statement of comparison of budget and actual amounts for the sixteen (16) months period ended 30 June, 2020, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Kimasian Technical and Vocational College as at 30 June, 2020, and of its financial performance and its cash flows for the sixteen (16) months period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1.0 Inaccuracies in the Financial Statements**

##### **1.1 Accounting Period**

The accounting period of the statements of financial performance, statement of cash flows and statement of comparison of budget and actual amounts is not properly titled to reflect the sixteen (16) months period ended 30 June, 2020.

Similarly, the Report of the Board of Governors refers to the results of the College for the year ended 30 June, 2019 instead of 30 June, 2020.

##### **1.2 Employees Costs**

Included in the statement of financial performance is employee costs totalling Kshs.1,569,559. However, review of the payrolls revealed a total amount of Kshs.1,459,520 resulting into unexplained variance of Kshs.110,039.

Consequently, the accuracy and validity of the employees cost expenditure amounting to Kshs.1,569,559 reflected in the financial statements for the sixteen-months (16) period ended 30 June, 2020 could not be confirmed.

### 1.3 Property, Plant and Equipment

Note 17 to the financial statements reflects property, plant and equipment valued at Kshs.124,598,350 as at 30 June, 2020. However, the total depreciation of Kshs.7,844,650 for different categories of assets reflected in Note 17 to the financial statements was not based on an approved depreciation policy. In addition, the asset register provided for audit reflected buildings with a historical cost of Kshs.60,000,000 which differs with the cost of buildings amounting to Kshs.50,000,000 reflected under Note 17. The difference of Kshs.10,000,000 was not explained.

Consequently, the accuracy, validity and completeness of the property, plant and equipment balance of Kshs.124,598,350 could not be confirmed.

### 1.4 Unsupported Amendments to Financial Statements Balances

The financial statements provided for audit on 27 September, 2020 were subsequently amended on 7 April, 2021. However, approved journal vouchers in support of the amendments were not provided. The amendments are as detailed below:

Item	Financial Statements Submitted on 27 September 2020 (Kshs.)	Revised Financial Statement Balance (Kshs.)	Variance (Kshs.)
Total Revenue	10,334,686	17,840,151	(7,505,465)
Depreciation	15,426,960	7,844,650	7,582,310
Repairs and Maintenance	1,042,720	552,385	490,335
Receivables	7,020,020	5,824,566	1,195,454
Current Liabilities	3,020,472	1,146,064	1,874,408

Consequently, the accuracy of the financial statements for the sixteen (16) months period ended 30 June, 2020 could not be confirmed.

### 2.0 Undisclosed Inventories

The statement of financial position reflects that the College had no inventories. However, paragraph (i) of the summary of significant accounting policies provides that inventories are also recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Institute. No evidence was provided to confirm the expensing of the loose tools held by the various departments and valued at Kshs.263,910 as at 30 June, 2020.

Consequently, the accuracy and completeness of the nil balance for inventories as at 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 Kimasian 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 adverse 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 on in the year under review.

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.20,481,240 and Kshs.17,840,151 respectively, resulting in a shortfall of Kshs.2,641,089 or 13% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.20,481,240 and Kshs.5,635,565 respectively resulting in an under performance amounting to Kshs.14,845,675 or 72%.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the students and stakeholders of Kimasian Technical and Vocational College.

#### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

### **Non-Compliance with Law on Ethnic Composition**

During the year under review, the total number of employees of the College was nineteen (19) all who were members of the same ethnic community. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, “all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community”.

Consequently, the 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that, internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, 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 Board of Governors**

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 College's ability 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 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.

The Board of Governors is responsible for overseeing the College'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 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 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.
- 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 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 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 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**

**16 February, 2022**