

REPORT OF THE AUDITOR-GENERAL ON MATHIOYA TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mathioya Technical and Vocational College set out on pages 1 to 19, which comprise of the statement of financial position as at 30 June, 2019, 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 effects 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 Mathioya Technical and Vocational College as at 30 June, 2019, 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 Training Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Property Plant and Equipment

The statement of financial position as at 30 June, 2019 reflects property, plant and equipment balance of Kshs.165,902,947 which as disclosed under Note 17 to the financial statements, comprise of building of Kshs.51,764,210, motor vehicles of Kshs.1,400,000, furniture and fitting Kshs.1,606,150, computers Kshs.3,202,999 and plant and equipment of Kshs.107,929,588. A review of records provided for audit verification however revealed the following:

- i. Value of parcels of land including parcel No. LOC 14/ Gakurwe /982 granted to the College by Muranga County government measuring approximately 5 acres were not determined and included in the financial statements. Further, no ownership documents were presented to confirm the ownership of the land on which Mathioya Technical and Vocational College occupies.
- ii. The net book values of motor vehicles and plant and equipment of Kshs.1,400,000 and Kshs.107,929,587 respectively are in relation to motor vehicle registration number GKB 541 U and Automotive training equipment granted to the College by

the National Government of Kenya and recorded in the fixed assets register at initial cost of Kshs.1,600,000 and Kshs.123,348,100, net of accumulated depreciation of Kshs.200,000 and Kshs.15,418,512 respectively. According to letter Ref: MOE/DTE/6/5/1 VOL.XII (94) dated 23 February, 2021 from the Ministry of Education, the cost of motor vehicles and automotive equipment assets to the College were part of consignment from China at a total contract sum US Dollars 1,233,481 for equipping 144 TVET Institutions in the country. However, detailed analysis of the equipment, unit cost and quantity received was not provided for audit review.

As a result, the basis upon which the book values and provision for depreciation were determined and included in the financial statements could not be ascertained.

2. Unconfirmed Board Allowances

The statement of financial performance for the year ended 30 June, 2019 reflects remuneration of directors (board allowances) of Kshs.461,000 whereas the supporting schedules and payment vouchers presented for audit review total Kshs.673,200 resulting in an unexplained variance of Kshs.212,200.

In the circumstances, the accuracy and completeness of board expenses balance of Kshs.461,000 for the year ended 30 June, 2019 could not be confirmed.

3. Rendering of Services-Fees from Students

The statement of receipts and payments reflects rendering of services - fees from students, under revenue from exchange transactions totalling to Kshs.3,047,958. Scrutiny of revenue records revealed that grants from donors - HELB totalling Kshs.603,000 received in the year under review was however, omitted from the schedule of receipts. No explanation was provided for the omission which understated the revenue.

Consequently, the accuracy and completeness of rendering of services balance totaling Kshs.3,047,958 for the year ended 30 June, 2019 could not be confirmed.

4. Variances Between the Approved Budget and Amounts Reported in Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects a revenue budget of Kshs.11,681,500 which is at variance with the approved budget figure of Kshs.12,258,000 resulting in a difference of Kshs.576,500. Further, a scrutiny of the approved budget submitted for audit revealed variances of Kshs.1,456,570 on four expenditure items without the necessary approvals as follows:

| Items | Final Approved Budget Amount Kshs. | Notes to the Budget Amount Kshs. | Difference Kshs. |
|----------------------------------|---|---|-------------------------|
| P.E BOG Teaching Staff | 1,080,000 | 1,440,000 | (360,000) |
| School Equipment and Stores | 0 | 531,870 | (531,870) |
| Advertisement | 1,464,300 | 1,500,000 | (35,700) |
| Facilitation (Training/Workshop) | 671,000 | 1,200,000 | (529,000) |
| Total | 3,215,300 | 4,671,870 | (1,456,570) |

Although Management indicated that the variances were reconciled, the accuracy and completeness of the approved budget figures for the year ended 30 June, 2019 could not be ascertained.

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

Non-Compliance with Ethnic Diversity Requirement

A review of the human resource records indicates that the College had twelve (12) staff members as at 30 June, 2019, out of which 11 staff members or 92% were from the dominant ethnic community. This was contrary to the provisions of Section 7(1) and (2) of National Cohesion and Integration Act, 2008 which requires that in selecting candidates for appointment, all public establishments shall seek to represent the diversity of the

people of Kenya and no public establishment shall have more than one third (33%) of its staff from the same ethnic community.

The Management was therefore 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

Lack of Internal Audit Function

During the year under review, Mathioya Technical and Vocational College had not established an internal audit function contrary to Section 73(1) of the Public Finance Management Act, 2012. As a result, the Technical College lacks internal structures which could provide advice and assurance to the management regarding systems of internal control and risk management.

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 control, risk management and 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 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 (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 services, disclosing, as applicable, matters related to sustainability of services and using the going concern 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.

Those charged with governance are responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how the entity 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 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 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 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 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

17 December, 2021