

REPORT OF THE AUDITOR-GENERAL ON NAIVASHA TECHNICAL AND VOCATIONAL COLLEGE FOR THE 18 MONTHS' PERIOD ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Naivasha Technical and Vocational College set out on pages 1 to 46, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cashflows and summary statement of comparison of budget and actual amounts for the period 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 not obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1.0 Errors in the Annual Reports and Financial Statements

The financial statements for the period ended 30 June, 2019 submitted for audit review had the following presentation anomalies:

- 1.1. The pages i to iii do not have title headers.
- 1.2. At page vii, a member of the Board of Governors (BOG) is described in two different names as Mr. Martin Mwaura Kinga and Mr. Ochieng.
- 1.3. Page xv reflects wrongly that results for the entity end on page 63 instead of page 46 while information for members of the BOG is shown as ending on page vi instead of vii.
- 1.4. Page 3 is blank.

Consequently, the financial statements for the period ended 30 June, 2019 do not conform to the presentation format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012 which states that PSASB shall prescribe the formats for financial statements and reporting by all state organs and public entities.

2.0 Unsupported Revenue from Non-Exchange Transactions

As disclosed in Note 6 to the financial statements, the statement of financial performance for the period ended 30 June, 2019 reflects transfers from the national government of Kshs.3,660,000. The amount includes a total of Kshs.2,060,961 that was disbursed to the

College by the Ministry of Education in two instalments on 28 March, 2018 and 10 March, 2018. However, bank statements and cashbooks were not provided for audit.

Consequently, the accuracy and completeness of the transfers from the national government of Kshs.3,660,000 for the period ended 30 June, 2019 could not be confirmed.

3.0 Unsupported Fees from Students

As disclosed in Note 10 to the financial statements, the statement of financial performance for the period ended 30 June, 2019 reflects fees from students of Kshs.2,079,130. The amount is in respect of revenue raised from tuition fees, library fees, facilities and materials and registration fees. However, the supporting schedule reflects Kshs.2,076,930, resulting in an unexplained variance of Kshs.2,200. Further, the schedules provided did not indicate the receipt numbers for the respective revenue.

Consequently, the accuracy and validity of the fees from students of Kshs.2,079,130 for the period ended 30 June, 2019 could not be confirmed.

4.0 Unsupported Employee Costs

As disclosed in Note 16 to the financial statements, the statement of financial performance for the period ended 30 June, 2019 reflects employee costs of Kshs.1,561,648. The amount was spent on payment of salaries of part time lecturers, travel and accommodation allowances and social contributions. However, the supporting schedule reflects Kshs.1,737,949, resulting in an unexplained variance of Kshs.176,301. Further, the employee costs include wages of part-time lecturers of Kshs.543,400. However, the schedule did not disclose the identification numbers of the lecturers, the dates when respective lessons were conducted, and the payment made per lesson.

Consequently, the accuracy and validity of the employee costs of Kshs.1,561,648 for the period ended 30 June, 2019 could not be confirmed.

5.0 Unsupported General Expenses

The statement of financial performance for the period ended 30 June, 2019 reflects general expenses of Kshs.1,601,282 as disclosed under Note 22 to the financial statements. However, the supporting schedule reflects Kshs.1,055,160, resulting in an unexplained variance of Kshs.546,122. Further, the schedule does not reflect the reference numbers of the payment vouchers.

Consequently, the accuracy and occurrence of the general expenses of Kshs.1,601,282 for the period ended 30 June, 2019 could not be confirmed.

6.0 Failure to Disclosure Property, Plant and Equipment

The statement of financial position as at 30 June, 2019 reflects property, plant and equipment of Kshs.39,750. However, it was noted that the College owns properties which include parcels of land, an office block and classes, multiple high value engineering plant

and machinery, and computers which have not been valued and disclosed in the financial statements.

Consequently, the accuracy and completeness of the property, plant and equipment of Kshs.39,750 as at 30 June, 2019 could not be confirmed.

7.0 Unsupported Cash and Cash Equivalents

The statement of financial position as at 30 June, 2019 reflects cash and cash equivalents balance of Kshs.1,119,346 and as disclosed under Note 27 to the financial statements. The amount is held in three bank accounts, namely; Main, Development and Fund accounts. However, the balances of the three accounts were not supported by signed bank reconciliation statements. Further, the cashbooks of the Main and Development accounts did not reflect the respective balances as at 30 June, 2019.

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.1,119,346 as at 30 June, 2019 could not be confirmed.

8.0 Unsupported Receivables from Exchange Transactions

The statement of financial position as at 30 June, 2019 reflects receivables from exchange transactions of Kshs.536,360 which is in respect of student debtors. However, the schedules provided to support the balance did not show student admission number, course module, the fees invoiced, the amount paid and balance outstanding at the end of the financial period.

Consequently, the accuracy and completeness of the receivables from exchange transactions of Kshs.536,360, as at 30 June, 2019 could not be confirmed.

9.0 Budgetary Control and Performance

The summary statement of comparison of budget and actual amounts for the period ended 30 June, 2019 shows that the College had a total income budget of Kshs.74,621,268 against actual income of Kshs.6,836,451 or 9% of the expected amount. Similarly, the statement reflects a total expenditure budget of Kshs.74,620,998 against actual expenditure of Kshs.6,370,390 or 9% of the expected expenditure. The performance difference of approximately 91% is due to failure to obtain in full, the budgeted funding in government grants and public donations.

Consequently, the College was not able to implement its development projects, leading to impairment of service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have

not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

Basis for Conclusion

1. Fixed Assets Register

The statement of financial position as at 30 June, 2019 reflects property, plant and equipment of Kshs.39,750. However, examination of the fixed assets register provided for audit lacked crucial information including serial numbers of items, dates of acquisition, cost of acquisition (value) of the asset, additions made during the financial period under review, depreciated values and net book values.

Consequently, the register may not be a reliable document for effective control of assets and preparation of financial statements.

2. Lack of Risk Management Policy

Documents provided for audit revealed that the College does not have a risk management policy that guides on assessment and evaluation of risk and to develop the strategies to mitigate them. This is contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015, which require the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

Consequently, the College's risk mitigation strategies for the year under review could not be ascertained. In addition, the Management breached the law.

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 continue 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 money is 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 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 College's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of the 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 December, 2021