

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Nuu Technical and Vocational College set out on Pages 1 to 26, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, 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, 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 Nuu 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 do not comply with the Technical Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Errors/Omissions of Presentation and Disclosures in the Financial Statements

A review of the financial statements for the year ended 30 June, 2019 presented by the Management for audit revealed the following anomalies in presentation and disclosures:

- i. Under the report on Key Entity Information and Management, background information does not include details of when the college was established.
- ii. Under the Corporate Governance Statement, the number of board /council meetings held and the attendance to those meetings by members, succession plan, existence of a board charter, board and member performance, conflict of interest, ethics and conduct as well as governance audit were not included.
- iii. The Management Discussion and Analysis on page xvi does not give a detailed report on the operational and financial performance of the College during the year and tables, graphs, pie charts and other descriptive tools has not been used to make the information more understandable. Further, the information given is not detailed enough as it is only half a page instead of two or three pages as prescribed.

- iv. Report of the Principal on page xiv has not been signed.
- v. Report of the Board of Governors on page xvii shows that the members of the Board/Council who served during the year are shown on Pages (viii) to (viii) instead of Pages (viii) to (x). Further, the report has not been signed.
- vi. In the report on Fiduciary Management, under entity bankers, only one Kenya Commercial Bank (KCB) account is disclosed but the College operates two bank accounts with KCB.
- vii. The statement of changes in net assets is presented on the same page with the statement of cash flows on page 3 but the two should be on separate pages.

In view of the foregoing, the financial statements as presented do not fully comply with the financial reporting template as prescribed by the Public Sector Accounting Standards Board (PSASB).

2.0 Misstatements in the Financial Statements

Review of the financial statements revealed the following misstatements:

- i. The financial statements do not give an indication as to whether the reported period is exactly one year (twelve months) or if the operations are for a longer or shorter period given that this is the first time of reporting.
- ii. Statement of changes in net assets indicates nil balances in the total's column.
- iii. Statement of comparison of budget and actual amounts does not include explanation for variances of over or under 10%.

The statement further contains casting errors in the performance difference column for all components under the revenue heading and most of the components under the expenditure heading. Consequently, the performance difference total under the revenues from exchange transactions should have been Kshs.(2,287,738) and not Kshs.(2,278,486) reported. Further, the performance difference total under the total expenditure should have been Kshs.2,352,437 and not the Kshs.1,508,611 reported.

- iv. A casting error of Kshs.192 was noted under Note 7 to the financial statements. The correct total should be Kshs.5,099,046 instead of the reflected amount of Kshs.5,099,238.

In view of the foregoing, the fair statement of the financial statements for the year ended 30 June, 2019 could not be confirmed.

3.0 Unsupported Use of Goods Expenditure

The statement of financial performance reflects an expenditure of Kshs.107,665 in respect of use of goods . However, the relevant supporting documents were not provided for audit such as expenditure schedules and payments vouchers.

In the absence of the supporting documents, the accuracy and completeness of the expenditure of Kshs.107,665 for the year ended 30 June, 2019 could not be confirmed.

4.0 Unexplained Variance in the Revenue from Exchange Transactions

The statement of financial performance reflects Kshs.5,099,238 in respect of revenue from exchange transactions . However, the ledgers provided in support of the revenue had an amount totaling Kshs.4,232,225 resulting in an unexplained understatement of Kshs.867,013. In addition, management did not provide a students' attendance register and students fees account register for the audit.

Consequently, it has not been possible to confirm the accuracy and completeness of revenue from exchange transactions amount of Kshs.5,099,238 as reported for the year ended 30 June, 2019.

5.0 Property, Plant and Equipment

The statement of financial position reflects a nil balance on property, plant and equipment as at 30 June, 2019. However, a physical verification which was done during the time of audit revealed that the college had several non-current assets such as, land on which the college is built, buildings, furniture, office equipment, teaching equipment and ICT equipment whose values ought to have been disclosed in the financial statements.

In the absence of the valuation and disclosure, the financial statements do not reflect the correct position of the property, plant and equipment owned by the College as at 30 June, 2019.

6.0 Unsupported Trade and Other Payables from Exchange Transactions

The statement of financial position and reflects trade and other payables from exchange transactions balance of Kshs.244,000 which was however not supported with an ageing analysis and the creditors' ledger.

In the circumstances, it has not been possible to confirm the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.244,000 as at 30 June, 2019.

7.0 Unsupported Receivables from Exchange Transactions

Statement of financial position reflects a balance of Kshs.477,376 in respect of receivables from exchange transactions . However, Management did not provide relevant supporting documents such as debtors' ledger and ageing analysis of the debts. In addition, the policy on provision for bad and doubtful was not provided for the audit. Further, Management did not demonstrate tangible efforts towards recovery of the outstanding debts.

In the circumstances, the accuracy, completeness, validity and recoverability of the balance of Kshs.477,376 in respect of receivables from exchange transactions as at 30 June, 2019 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Nuu 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. I have determined that there are no key audit matters to communicate in my report.

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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that, public resources have not been applied lawfully and in an effective way.

Basis of Conclusion

1.0 Irregular Recruitment of Part-Time Lecturers

During the audit of recruitment procedures for different cadres of staff it was noted that, during the year under audit, the College contracted part time instructors to offer different courses. However, no documents were provided for audit to show; how the gaps in the existing teaching staff were identified, the process of recruitment of the part-time lecturers and their terms of engagement. This is contrary to sections B.10 and B.20 of the Human Resource Policies and Procedures Manual for the Public Service of May, 2016 on letters of appointment and appointment on contract terms respectively.

In addition, the academic timetables and proof that the teaching actually took place was not provided for audit.

In the circumstances, the regularity and value for money in the recruitment of part-time lecturers could not be ascertained.

2.0 Lack of Accountability Over Tuition Expenses

Note 14 to the financial statements reflects the expenditure of Kshs.565,560 which was incurred on tuition expenses. Review of the payment vouchers provided in support of the expenditure revealed that out of this amount, Kshs.362,000 was spent on subsistence allowances. However, it was noted that the College did not maintain an imprest register to manage the issuance and surrender of imprests advanced as subsistence allowances. This is contrary to Section 93(4)(c) of the Public Finance Management (National Government) Regulations, 2015 which states that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that - the applicant has been recorded in the imprest register including the amount applied for.

In addition, payment vouchers presented for audit were not adequately supported as they lacked the approval letters for payment of the subsistence allowances and accountability over the same.

In the circumstances, it has not been possible to ascertain the validity and value for money from the Kshs.362,000 which was paid as subsistence allowances.

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 OVERALL 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, Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis of Conclusion

1.0 Lack of Approved Human Resource Policy Documents

Audit revealed that the College did not have in place policy documents for Management of human resource functions such as; Human Resource Policies and Procedures Manual, Career Guidelines, Scheme of Service and approved Staff Establishment to guide on staff recruitment, remuneration, development and discipline. This is contrary

to the provisions of the Human Resource Policy and Procedures Manual for the Public Service of May, 2016.

Consequently, the College is in breach of the Law.

2.0 Lack of an Internal Audit Function

During the year under review, the College did not have in place an internal audit function to perform risk assessment processes and evaluate operational effectiveness through reviews of the internal controls. Further, the Audit Committee required to provide oversight over management activities was not in place. This is contrary to the provisions of Section 73 of the Public Finance Management Act, 2012 which requires every National Government entity to have arrangement in place an internal audit function and an audit committee for the purpose of carrying out in depth reviews of management operations and internal controls.

In the circumstances, there is lack of oversight over the Management activities which exposes the College to loss of funds through fraud or wastage.

3.0 Lack of Risk Management Policy and Disaster Recovery and Business Continuity Plan

The College did not have an approved Risk Management Policy and a Disaster Recovery and Business Continuity Plan in place. This is contrary to the provisions of Section 165(1)(a) and (b) of the Public Finance Management (National Government) Regulations 2015, which requires the Accounting Officer to ensure that the National Government entity develops risk management strategies which include fraud prevention mechanisms and develop a system of risk management and internal control that builds robust business operations.

Consequently, the College lacks a blue print for identifying and mitigating against risks and is exposed to loss and interruption of operations in case of a disaster.

3.1 Lack of Information Communication Technology Policy

Review of Information Communication Technology (ICT) environment revealed that the College does not have an approved ICT Policy in place. Further, the College has not automated key operational areas such as Finance, Human Resource Management and Procurement.

Lack of an ICT Policy and failure to automate key processes implies that the College has not leveraged on ICT to ensure accuracy, speed and efficiency in processing of its data and information as well data confidentiality, reliability, integrity and availability.

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 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 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 intention to terminate the Nuu Technical and Vocational 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 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 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 noncompliance. 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 College's 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.

14 January, 2022