

# REPORT OF THE AUDITOR-GENERAL ON SIKRI TECHNICAL AND VOCATIONAL COLLEGE FOR THE BLIND AND DEAF 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 Sikri Technical and Vocational College for the Blind and Deaf set out on pages 1 to 22, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows, and the statement comparison of budget 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 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 Sikri Technical and Vocational College for the Blind and Deaf as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the Public Sector Accounting Standards and comply with the Technical and Vocational Education and Training Act, 2013 and Public Finance Management Act, 2012.

### Basis for Qualified Opinion

#### 1. Presentation of the Financial Statements

The financial statements for the year ended 30 June, 2020 presented for audit review reflects the following anomalies.

- i. The statement of financial position reflects Kshs.3,949,537 (deficit) and Kshs.114,368,203 in respect of accumulated reserves and capital fund respectively, both referenced to Note 16 to the financial statements. However, the note relates to administration costs - general expense and not the two items of the statement.
- ii. The Institute of Certified Public Accountants of Kenya (ICPAK) member number of the accountant signing the financial statements is not indicated contrary to the Public Sector Accounting Standards Board (PSASB) reporting guidelines and template issued in June, 2020.
- iii. A progress on follow up of auditor recommendations report and a report on projects implemented by the College are not included in the financial statements contrary to the requirement of the PSASB reporting templates.

In the circumstances, the Institutes' financial statements are not presented in accordance with the International Public Sector Accounting Standards (IPSAS) and PSASB prescribed formats.

## **2. Accuracy of Financial Statements**

### **2.1 Statement of Changes in Net Assets**

The statement of changes in net assets reflects Kshs.17,073,636 in respect of net surplus for 2018/2019. However, the Management did not provide supporting schedules and computation for the amounts. Further, the statement of changes in net assets reflects an amount of Kshs.6,712,003 in respect of development grants which was not supported by ledgers and supporting schedules for the same.

Consequently, the accuracy and completeness of Kshs.17,073,636 and Kshs.6,712,003 changes in net asset for the year ended 30 June, 2020 could not be confirmed.

### **2.2 Statement of Cash Flows**

The statement of cash flows for the year ended 30 June, 2020 contained inaccuracies as stated below;

- i. The statement of financial position reflects trade payables amounting to Kshs.1,119,935 which decreased by Kshs.12,665,974 from an amount of Kshs.13,785,9090 in 2019. However, the statement of cash flows reflects Kshs.4,476,992 instead of Kshs.12,665,974 leading to unreconciled variance of Kshs.8,188,982.
- ii. The statement of financial position reflects receivable from exchange transaction of Kshs.6,880,308 in respect of 2019/2020 which decreased from Kshs.26,338,374 in 2018/2019 by Kshs.19,458,066. However, the statement of cash flows reflected Kshs.1,051,323 instead of Kshs.19,458,066 leading to unreconciled variance of Kshs.18,406,743.

Consequently, the accuracy, and completeness of the statement of cashflow for the year ended 30 June, 2020 could not be confirmed.

## **3. Undisclosed Property Plant and Equipment**

The statement of financial position as at 30 June. 2020 reflects Kshs.142,973,727 in respect of property, plant, and equipment. Review of the assets records and physical verification of Institute's assets revealed that the institution owned computers, furniture, vehicles, tractors, motor cycles and other assets whose values were not included in the assets register, and were also not disclosed in the financial statements, contrary to Paragraph 27 of International Public Sector Accounting Standard (IPSAS)

1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity.

Consequently, accuracy and completeness of property, plant and equipment of Kshs.142,973,727 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 Sikri Technical and Vocational College for the Blind and Deaf 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.

### **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.85,934,000 and Kshs.44,546,876 respectively resulting in a shortfall of Kshs.41,387,124 or 48% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.85,934,000 and Kshs.48,856,667 respectively resulting in an under performance amounting to Kshs.37,077,333 or 43%.

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

## **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 sections 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 Law on Ethnic Composition**

During the year under review, the total number of employees was twenty-seven (27) out of which, twenty-one (21) or 78 % of the total number 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”.

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 and an Audit Committee**

During the year under review, the institution did not have an established an internal audit unit to provide assurance on the state of risks, mitigation measures and controls contrary to Public Finance Act, 2012 section 73(1) which requires every national government entity to ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board.

Similarly, the College did not have in place an audit committee contrary to Regulation 174(1) of the Public Finance Management (National Government) Regulation, 2015 which provided each National Government entity shall establish an audit committee. Lack of an independent and effective audit committee may lead to weak internal controls.

Consequently, the Institute is in breach of the law.

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 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 the International Public Sector Accounting Standards 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 ability of the College to sustain 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 dissolve the college or 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 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 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 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 Institute to cease sustaining 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**

**11 February, 2022**