

# **REPORT OF THE AUDITOR-GENERAL ON KIPIPIRI TECHNICAL AND VOCATIONAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020**

---

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Adverse Opinion**

I have audited the accompanying financial statements of Kipipiri Technical and Vocational College set out on pages 1 to 26, which comprise of the statement of financial position as at 30 June, 2020, and 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 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 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 of Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kipipiri Technical and Vocational College as at 30 June, 2020 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 Public Finance Management Act, 2012, the Technical and Vocational Education and the Training Act, 2013.

### **Basis for Adverse Opinion**

#### **1. Inaccuracies in the Financial Statements**

The financial statements figures for eight (8) items the differs with the supporting with support schedules figures resulting to an unexplained variance of Kshs.7,569,000 as detailed below:

Details	Financial Statements	Amount as Per the Financial Statements	Amount as Per the Ledgers	Variance
	Note	Kshs.	Kshs.	Kshs.
Activity fees	9	252,590	235,100	17,490
Performance Contracting	9	336,300	317,300	19,000
Printing and stationery	9	334,090	353,090	(19,000)
Employee Costs	10	1,606,418	1,714,418	(108,000)
Repairs and Maintenance	13	0	34,500	(34,500)
Rendering Services - Fees from students	7	4,679,192	0	4,679,192
Receivables from exchange transactions	15	1,958,180	0	1,958,180
Trade payables from exchange transactions - Payments received in advance	17	1,056,638	0	1,056,638
<b>Total</b>		<b>10,223,408</b>	<b>2,654,408</b>	<b>7,569,000</b>

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

## 2. Inaccurate Comparative Figures

The comparative figures in the financial statements for six (6) items differs from the previous year's audited figures resulting to a variance of totaling to Kshs.(72,213,123) as detailed below: -

Item	Financial Statements Kshs.	Audited Financial Statement 2018-2019	Variance Kshs.
Rendering of services	3,272,117	3,273,117	(1,000)
Cash and Cash Equivalent	1,674,045	1,675,605	(1,560)
Accumulated surplus	140,281,900	21,165,233	119,116,667
Capital grants	2,504,621	163,950,194	(161,445,573)
Development account (Note 20)	1,560	0	1,560
Donations in kind (Note 20)	133,584,783	163,468,000	29,883,217
<b>Total</b>	<b>281,319,026</b>	<b>353,532,149</b>	<b>(72,213,123)</b>

In the circumstance, the accuracy and completeness of the above comparative figures for the year ended 30 June, 2020 could not be confirmed.

## 3. Discrepancy in Notes to the Financial Statements

Note 17 to the financial statements as at 30 June, 2020 reflects trade and other payables from exchange transactions (fees paid in advance) amounting to Kshs.665,980 whereas

Note 19 on liquidity risk management reflects fees paid in advance of Kshs.1,056,638 resulting to a variance of Kshs.390,658.

In the circumstance the accuracy and completeness of the fees paid in advance amounting to Kshs.665,980 as at 30 June, 2020 could not be confirmed.

#### **4. Unsupported Property, Plant and Equipment Balance**

Included in the property, plant and equipment balance of Kshs.133,584,783 and as disclosed in Note 16 to the financial statements are equipment, furniture and computer accessories donated by the Ministry of Education through China bilateral contract agreement dated 25 May, 2016. However, the assets have not been valued by a professional valuer and carry an estimated value of Kshs.80,000,000 in the books. Further, the property, plant and equipment includes a balance of Kshs.12,000,000 in respect of land value of whose ownership and valuation could not be established as the title deed and valuation report were not made available for audit review.

In the circumstances, the accuracy and fair statement of the property, plant and equipment balance of Kshs.133,584,783 as at 30 June, 2020 could not be confirmed.

#### **5. Unsupported Bank Balances**

The statement of financial position reflects bank balance of Kshs.3,026,976 for three (3) bank accounts as disclosed in Note 14 to the financial statements. However, the reported balances were not supported by bank reconciliation statements and cashbooks.

In the circumstances, the accuracy and completeness of the reported cash and cash equivalents balance of Kshs.3,026,976 as at 30 June, 2020 could not be confirmed.

#### **6. Errors in Accumulated Surplus Balance**

The statement of financial position reflects accumulated surplus balance of Kshs.3,928,518 as at 30 June, 2020. However, summation of the previous year closing deficit balance of Kshs.21,165,233 together with the actual deficit for the year of Kshs.17,273,221 reflected in the statement of financial performance results to an accumulated deficit of Kshs.38,438,454. The resultant variance of Kshs.42,366,972 has not been explained.

Consequently, the accuracy and completeness of accumulated surplus balance of Kshs.3,928,518 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 Kipipiri 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 in the year under review.

## **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final total income budget and actual income on comparable basis of Kshs.41,003,600 and Kshs.9,043,496 respectively resulting to underfunding of Kshs.31,960,104 or 78%.

Similarly, from the actual income of Kshs.9,043,496, the college absorbed an amount of Kshs.7,619,599 resulting to an overall under-absorption of Kshs.1,423,897 or 16% of the budget.

The underfunding and under absorption affected on the planned activities which may have impacted negatively on service delivery for the 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 sections and the 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 public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Late Submission of the Financial Statements**

The annual report and financial statements for year ended 30 June, 2020 were submitted on 06 November, 2020 one (1) month and six (6) days late. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

Under the circumstances, the Fund was in breach of the law.

#### **2. Errors in Annual Reports and Financial Statements**

The financial statements for the year ended 30 June, 2020 presented for audit have the following errors: -

- i) The table of contents at page i omits report of the independent auditors on the entity.
- ii) Report of the principal at page x does not highlight key activities, successes or challenges achieved or faced during the reporting period.
- iii) Review of the Institution's performance at pages xi - xiii does not indicate specific achievements attained during the year against the set key performance indicators.
- iv) The corporate governance statement at page xiv does not disclose the attendance to board meetings held during the year under review or the board of governors' remuneration.
- v) The statement of financial position at page 3 is not signed by the chairperson and the finance officer.
- vi) Explanation on the statement of financial performance indicates that notes are set out on pages 6 to 20 instead of pages 8 to 23. Similarly, explanation on the statement of financial position indicates that financial statements are set out on pages 1 to 20 instead of pages 1 to 23.
- vii) Pagination flow in the report is inconsistent as pages 3 and 7 are omitted.
- viii) Appendix III on Inter Entity Transfers at page 29 has not been signed by the Head of Accounting Unit.
- ix) The statement of changes in net assets at page 4 does not disclose the opening balances as at 1 July, 2019 as per the prescribed format by the Public Sector Accounting Standards Board.
- x) Wrong reporting dates are indicated for property, plant and equipment in the asset movement schedule at page 19.
- xi) Appendix IV on list of fixed assets donated by the ministry has no values attached.

Consequently, the financial statements do not conform to the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with section 194(1)(d) of the Public Finance Management Act, 2012.

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 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 for conclusion**

### **Weak Information Technology (IT) Internal Controls**

In the year under audit, the College had not established an IT strategic plan as well as IT security policy to provide governance on information technology matters including policies on IT continuity plan, subsequently the critical data/information may not be recovered in case a disaster occurs.

Under the circumstances the adequacy and effectiveness of the IT risk management strategies and controls and processes put in place could not be established.

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 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 Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS) and for such 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.

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 the applicable basis of accounting unless Management is aware of intention to terminate 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.

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 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 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**

**15 February, 2022**