

REPORT OF THE AUDITOR-GENERAL ON KOITALEEL SAMOEI UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Koitaleel Samoei University College set out on pages 22 to 48, which comprise the statement of financial performance, statement of financial position, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts, 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 Koitaleel Samoei University 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 comply with the Public Finance Management Act, 2012 and the Universities Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Presentation and Disclosure of the Financial Statements

Audit of the financial statements submitted revealed the following anomalies:

- i. The statement of financial position reflects net assets and total assets and liabilities balance of Kshs.440,555,776 and Kshs.450,789,951, respectively resulting to an imbalance position of Kshs.10,234,176.
 - ii. Statement of changes in net assets reflects surplus for the year balance of Kshs.33,668,661 under capital reserve instead of the revenue reserve. Further capital reserve balance of Kshs.417,121,290 has been omitted in the statement.
 - iii. Property plant and equipment reflects opening balance (as at 1 July,2018) under Land amounting to Kshs.240,000,000 which contradicts the presentation of the financial statements being the year of inception.
 - iv. The statement of cashflows is not balanced as detailed below;-
 - increase in inventories should be Kshs.-12,281,516
 - investing activities amounting to Kshs.58,918,632 have been omitted
 - financing activities amounting to Kshs.417,121,290 have been omitted
-

- v. Note 14 to the financial statements reflects a balance of Kshs.10,974,457 which varies with the financial position of Kshs.12,281,516
- vi. The account balances and amounts in the financial statements have been presented in decimals and not rounded off.
- vii. The statement of financial position as at 30 June, 2020 reflects revenue reserves balance of Kshs.33,668, 661 while the statement of changes in net assets shows nil balance for the same account item.
- viii. The statement of financial position as at 30 June, 2020 reflects capital reserves balance of Kshs.417,121,290 while the statement of changes in net assets shows a balance of Kshs.33,668, 661 for the same account item.

Consequently, the completeness, accuracy and presentation and disclosure of financial statements could not be confirmed.

2. Unconfirmed Inventories

The statement of financial position reflects inventories balance of Kshs.12,281,516 and as disclosed in Note 14 to the financial statements. However, a review of stores records revealed that inventories amounting to Kshs.1,307,059 were issued out without requisition and approval from the respective user departmental head. Further, there was no documentary evidence to show that the items were issued out vide counter issue voucher/note (S11).

Consequently, the accuracy and completeness of the inventories balance of Kshs.12,281,516 could not be confirmed.

3. Unconfirmed Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.149,099,853 and as disclosed in Note 12 to the financial statements. However, a re-computation of the cash and cash equivalents as at 30 June, 2020 using the bank reconciliation statements, bank balance certificates and cash book balances resulted in a balance of Kshs.158,685,510. The resulting variance of Kshs.9,585,657 was not explained or reconciled.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.149,099,853 could not be confirmed.

4. Unconfirmed Trade Payables

The statement of financial position reflects trade and other payables(creditors) balance of Kshs.10,234,176 and as disclosed in the Note 16 to the financial statements, the balance comprises Kshs.3,103,888 and Kshs.7,130,288 relating to purchase of standby generator and construction of elevated water tank, respectively.

However, delivery note, invoice and inspection and acceptance committee report on purchase of stand by generator, and construction of elevated water tank were not provided for audit.

In the circumstances, the accuracy and completeness of trade and other payables(creditors) balance of Kshs.10,234,176 could not be confirmed.

5. Unconfirmed Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment balance of Kshs.288,353,526 and as disclosed in Note 15 to the financial statements which includes net balance of Kshs. 235,200,000 relating to land and buildings (Cost - Kshs.240,000,000 and Depreciation - Kshs.4,800,000). However, details including a breakdown of land and buildings stated at a cost Kshs. 240,000,000 were not provided for audit.

Consequently, the accuracy, completeness and ownership of the balance of Kshs.235,200,000 as at 30 June, 2020 for land and buildings could not be confirmed.

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.626,925,900 and Kshs.103,708,533, respectively resulting to an under-funding of Kshs.523,217,367 or 83% of the budget. Similarly, the College expended Kshs.70,039,872 against an approved budget of Kshs.626,925,900 resulting to an under-expenditure of Kshs.556,886,027 or 89% of the budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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 matters 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

1. Name of the University College Indicated as Koitaleel

The financial statements for the year ended 30 June, 2020 shows the name of the University College as Koitaleel Samoei which varies with the name indicated in the Kenya Gazette Supplement No. 17 dated 6 September, 2018 Part II (3)(1) which states, “there is established a university college to be known as the Koitalel Samoei University College which shall be a constituent college of the University of Nairobi.”

2. Non-Preparation and Submission of Financial Statements

Koitaleel Samoei University College was established on 6 September, 2018 vide Kenya Gazette Supplement No. 17 dated 6 September, 2018. However, the University College did not prepare and submit the financial statements for the nine months’ period ended 30 June, 2019.

In addition, the financial statements for the year ended 30 June, 2020 were submitted to the Auditor General on 30 November, 2021, two (2) months later than the statutory deadline for submission of the financial statements contrary to Section 47(1) of the Public Audit Act, 2015.

3. Irregular Recruitment of Part Time Lecturers

As disclosed in Note 5 to the financial statements, the statement of financial performance reflects salaries and wages amounting to Kshs.27,523,212 which includes payments of Kshs.1,540,630 made to part time lecturers’. However, a scrutiny of the appointment letters of seven (7) part time lecturers. indicated that they were appointed on contract on 27 November, 2019 but back dated to September, 2019 for lectures that were supposed to be carried out from September, 2019 to December, 2019. No records of declaration of vacancies for part time lecturers, approval of the vacancies by the University Council, application for recruitment by qualified candidates, shortlisting and interviews were availed for audit.

Further, examination of payment vouchers and supporting documents for seventeen (17) part time lecturers revealed that payments totalling to Kshs.1,091,230 were made to part time lecturers who were offering the services prior to being appointed legally by University College. Their appointment letters show that they were appointed on 21 November, 2019 to offer lecture services.

Consequently, the regularity and validity of the expenditure amounting to Kshs.1,540,630 incurred on part time lecturers could not be confirmed.

4. Lack of Handing Over Report

The University College is currently based in the former Mosoriot Teachers Training College (TTC). However, no handing over report between Mosoriot Teachers’ Training College and Koitalel Samoei University College was provided for audit . Therefore, it was not possible to confirm that the TTC was handed over formally to the University College.

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 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for conclusion

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 of the University College Council

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 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 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 resources are applied in an effective way.

The University College Council is 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 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 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 February, 2022