

REPORT OF THE AUDITOR-GENERAL ON ST JOSEPH'S TECHNICAL INSTITUTE FOR THE DEAF FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of St Joseph's Technical Institute for the Deaf set out on pages 1 to 25 which comprise the statement of financial position as at 30 June, 2020, 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, 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 effects of the matter 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 St Joseph's Technical Institute for the Deaf as at 30 June, 2020 and 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 Technical Vocational Education Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statement

1.1 Unsupported Balances

A review of the financial statements balances and the related support ledgers/schedules revealed a number of insufficiently supported or unsupported balances as analyzed below:

Components	Balances Supported Kshs.	Financial Statement Balance Kshs.	Variance Kshs.
Use of goods and services			
Water	361,704	161,704	200,000
Property, plant and equipment			
Addition Building	1,677,323	714,191	- 963,132
Work in progress	8,283,733	8,354,838	71,105
Sub Total	9,961,056	9,069,029	- 692,027
Refundable deposits			
Retention-	1,898,130	1,101,234	- 796,896
Uniform		87,048	87,048

Components	Balances Supported Kshs.	Financial Statement Balance Kshs.	Variance Kshs.
Sub Total	1,898,130	1,188,282	- 709,848
Repairs and maintenance	1,962,170	2,687,895	725,725

In the circumstances, the validity and accuracy of the said financial statement balances as at 30 June, 2020 could not be confirmed.

1.2 Misstated Revaluation Reserves

The statement of changes in net assets reflects revaluation reserve of Kshs.184,149,026 as at 30 June, 2020. The statement further reflects a brought forward balance of Kshs.181,739,391 while the audited financial statement for 2018/2019 disclosed a balance of Kshs.183,462,850 therefore resulting to a misstatement of Kshs.1,723,459.

In the circumstance, the accuracy and completeness of the revaluation reserve figure of Kshs.184,149,026 as at 30 June, 2020 could not be confirmed.

1.3 Failure to include increase in the Statement of Cash Flow

The statement of financial position and Note 20 to the financial statements reflect inventory for the year under review of Kshs.2,409,635 while the audited financial statements for 2018/2019 disclosed inventories of Kshs.1,723,459 thus indicating an increase of Kshs.686,176. This increase of Kshs.686,176 has not been incorporated in the statement of cash flow.

In the circumstance, validity and completeness of the figures in the statement of cash flow for the year ended 30 June, 2020, could not be ascertained.

1.4 Inaccurate Balance in the Statement of Changes in Net Assets

The statement of changes in net assets omitted the comparative balance items that constituted the opening balances of revaluation reserve of Kshs.183,462,850, retained earnings of Kshs.55,013,775 and capital fund of Kshs.13,667,457 as at 1 July, 2019.

In the circumstance, validity, accuracy, and completeness of the figures in the statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

2.0 Bad Debts Written-off Without a Provision

The statement of changes in net assets as at 30 June, 2020 reflects a balance of Kshs.19,683,192 being bad debts written off against retained earnings instead of estimating it to arise from receivables from exchange transactions. However, no provision for bad debts was made from the previous year against the concept of prudence in accounting. It was also observed that the write-off was not charged to the

statement of financial performance. Further, the debtors' management policy was not provided for audit review.

Consequently, the validity of the bad debts written-off of Kshs.19,683,192 as at 30 June, 2020 could not be ascertained.

3.0 Inaccurate Refundable Deposits from Customers/Students

As disclosed under Note 23 to the financial statements and in the statement of financial position is a balance of Kshs.3,206,978 relating to refundable deposits from customers/students. Included in this figure is retention fees of Kshs.1,101,234. However, the total retention fees supported by relevant documents and ledgers was Kshs.2,332,989 resulting to unreconciled variance of Kshs.1,231,755.

Consequently, the validity, accuracy and completeness of the refundable deposits of Kshs.3,206,978 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 St Joseph's Technical Institute for the Deaf 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 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 of the current year. I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budgetary Control and Performance

1.1 Receipts Analysis

The statement of budget and actual amounts for the year under review reflects total budget receipts of Kshs.156,635,877 and actual receipts of Kshs.73,214,025 respectively resulting to budget shortfall of Kshs.83,421,852 or 53%.

The variance of Kshs.83,421,852 on budgeted receipts means goods and services or works were not delivered to the Technical Institution therefore, denying the stakeholders the expected services.

1.2 Expenditure Analysis

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects total original budget payments of Kshs.73,214,025 and actual payments of Kshs.44,059,305 resulting to budget under absorption of Kshs.29,154,720 or 39.8%.

Consequently, the overall under funding and under absorption of the budget may have negatively impacted on the delivery of services to the Institution's stakeholders.

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, 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

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

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 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 governance.

In preparing the financial statements, Management is responsible for assessing the ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the St Joseph's Technical Institution for the Deaf to cease operations, or have no realistic alternative but to do so.

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 Board of Management are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Management 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 St Joseph's Technical Institute for the Deaf 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 St Joseph's Technical Institute for the Deaf ability to continue as a going concern or 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 St Joseph's Technical Institute for the Deaf to cease to continue as a going concern or 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 St Joseph's Technical Institute for the Deaf 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

02 February, 2022