

REPORT OF THE AUDITOR-GENERAL ON BARINGO TECHNICAL COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Baringo Technical College set out on pages 1 to 29, which comprise 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 the 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, 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 Baringo Technical 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 Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

The financial statements for the year ended 30 June, 2020 as prepared and presented for audit had the following errors;

- 1.1** The statement of financial performance reflects repairs and maintenance of Kshs.11,959,131 while the statement of cash flows reflects Kshs.11,724,576 resulting to a variance of Kshs.234,555.
- 1.2** The statement of cash flows reflects an increase in inventories of Kshs.39,333 while re-computation and Note 20 to the financial statements reflects an increase of Kshs.482,784 resulting to a variance of Kshs.443,451.
- 1.3** The comparative increase in fees paid in advance of Kshs.1,911,602 in the statement of cash flows is at variance with the previous year financial statement figure of Kshs.616,789 resulting to a variance of Kshs.1,294,813.
- 1.4** The net increase in cash and cash equivalents of Kshs.42,058,098 is at variance with the re-computed figure of Kshs.42,292,671 resulting to a variance of Kshs.234,573.

- 1.5 The statement of budget and actual reflects revenue realisation difference of negative Kshs.1,228,449, However, re-computation reflects a total of negative Kshs.1,379,850 resulting to a variance of Kshs.151,401.
- 1.6 Note 30 to the financial statements reflects furniture and fittings net book value of Kshs.2,825,087 as at 30 June, 2020. However, re-computation of the net book value revealed a balance of Kshs.2,742,497 resulting to a variance of Kshs.82,590.
- 1.7 Note 30 to the financial statements reflects computers net book value of Kshs.2,718,292 as at 30 June, 2020. However, re-computation reflects a book value of Kshs.1,807,592 resulting to a variance of Kshs.890,700.
- 1.8 Note 30 to the financial statements reflects plant and equipment net book value of Kshs.1,383,802 as at 30 June, 2020. However, re-computation reflects a net book value of Kshs.2,556,608 resulting to a variance of Kshs.1,172,806.

In the circumstances, the accuracy and completeness of the above balances included in the financial statements as at 30 June, 2020 could not be confirmed.

2.0 Inaccuracy of Property, Plant and Equipment

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.35,190,953 as disclosed under Note 30 to the financial statements. As previously reported, this excludes the value of land acquired in the year 2011 measuring 7.20 hectares on which buildings and agricultural assets stands and whose value has not been determined. In addition, a motor vehicle registration number KAE 604X Toyota acquired on 4 August, 1995 is yet to be registered in the name of the college. According to Management the vehicle is no longer motorable and its parts are used in the workshop for practicals. However, as at the time of audit in January, 2021 we were not able to confirm and verify the information.

Further, motor vehicle registration number KBZ 083C acquired on 27 May, 2014 is fully depreciated as per Note 30 of the financial statements though the vehicle is still in use by the college without revaluation.

Consequently, the accuracy and fair statement of the property, plant and equipment balance of Kshs.35,190,953 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 Baringo Technical Training Institute 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 for the year ended 30 June, 2020 reflects revenue budget and actual on comparable basis of Kshs.127,596,420 and Kshs.132,333,704 respectively resulting to a positive performance of Kshs.4,737,284 or 4%. Similarly, the expenditure budget was Kshs.115,767,660 against an actual of Kshs.84,850,006 resulting to under absorption of funds of Kshs.30,683,099 or 27%.

Though there was under-absorption of funds of Kshs.30,683,099, Management appear to have over-budgeted in most of the expenditure items. This may have negatively affected the delivery of goods and services to the 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, except for the matters described in the Basis for Qualified Opinion 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.

1.0 Errors in the Annual Reports and Financial Statements

The annual reports and the financial statements prepared and presented for audit had the following errors: -

- 1.1** The statement of board of governor's responsibilities on page xx refers to Section 81 of the Public Finance Management Act, 2012 and Technical and Vocational Education and Training Act, 2013. However, the Technical and Vocational Education and Training Act, 2013 does not have Section 81.
- 1.2** The statement of comparison of budget and actual amounts has been referred as "statement of budget vs actual"
- 1.3** A page reserved for the report of the Auditor-General does not have a page number.

Consequently, the annual reports and the financial statements as prepared and presented do not comply to the format prescribed by the Public Sector Accounting Standards Board (PSASB).

2.0 Stalled Project

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.35,190,953 that includes work in progress of Kshs.26,734,382 as disclosed under Note 30 to the financial statements. Verification revealed that construction of tuition block building within the college compound had stalled. However, as at the time of audit on 14 January, 2021, documentary evidence provided shows that the contractor has been fully paid the contract sum of Kshs.24,924,427 and the retention fees despite several works not completed including, flooring, fittings and wiring, painting, sealing board and pavements. Further, the contractor was not on site.

Management attributed this delay to underfunding on development grants and underestimation of the cost of the contract during the original award which was agreed to run for 52 weeks from the date of site handing over. Management is therefore considering tendering for the remaining works which is likely to vary the cost of the contract sum. Therefore, the cost of construction of tuition block is likely to escalate due to delay in the completion of the works.

Consequently, the accuracy and fair statement of the property, plant and equipment balance of Kshs.35,190,953 as at 30 June, 2020 could not be confirmed.

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 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 matters described in the Basis for Qualified Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections 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

1.0 Lack of a Risk Management Policy

During the year under review, the college did not have a risk management policy in place and therefore had no approved processes and guidelines on how to mitigate operational, legal and financial risks.

In the circumstance, the College is not in compliance with the circular that requires that all public institutions develop an Institutional Risk Management Policy Framework (IRMPF).

2.0 Lack of an Internal Audit Function

The College does not have an internal audit department and no internal audits were carried out in the year under review. The Management explained that the entity is in the process of recruiting for the internal audit department. However, the process has not yet started.

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 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 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 Board of Governors are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the College 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 overall 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 overall 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 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

11 February, 2022