

REPORT OF THE AUDITOR-GENERAL ON BUNYALA TECHNICAL AND VOCATIONAL TRAINING COLLEGE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Bunyala Technical and Vocational Training College set out on pages 1 to 20, 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 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Failure to Submit Financial Statements And Account for Prior Period Operations

The key entity information by Management indicates that the College was established on 20 June, 2017. However, the College Management did not prepare and submit for audit review, the annual reports and financial statements for the years prior to year ended 30 June, 2020 in line with Section 29 (2) of the Technical and Vocational Education and Training Act, 2013 which provides that within a period of four months from the end of each financial year, a Board of Governors shall submit to the Auditor-General or to an auditor appointed under the section, the accounts of the institution.

In addition, the statement of changes in net assets for the year ended 30 June, 2020 reflects retained earnings amounting to Kshs.3,234,073 as at February, 2019, and transfers of depreciation and amortization from capital fund to retained earnings amounting to Kshs.2,765,974. Similarly, bank statements for bank accounts operated by the College reflect opening balances brought forward from prior period amounting to Kshs.804,562. However, the financial statements presented for audit review relate to the year ended 30 June, 2020, and do not reflect comparative balances for the prior periods.

2. Presentation of the Financial Statements

Review of financial statements and information thereon revealed presentation anomalies as outlined below:

- i. The statement of compliance and basis of preparation in paragraph 2 of the notes to the financial statements does not indicate the specific areas involving a higher

degree of judgement or complexity, or where assumptions and estimates significant to the financial statements or the note where they are disclosed.

- ii. Paragraph 3 of the notes to the financial statements on adoption of new and revised standards, contains an explanation on public sector combinations and amalgamations. However, the information appears irrelevant since there is no explanation or linkage on how it will affect the college or its application in the financial statements represented for audit.
- iii. The summary of significant accounting policies contains a section with disclosures which have no relevance to the nature and operations of the College such as Note 4 a(ii) Rendering of Services - Students Fees and which has nothing to do with stage of completion and measurement in reference to labour hours.
- iv. The college has not disclosed in an annex the ongoing projects as required by the reporting format prescribed by the Public Sector Accounting Standards Board (PSASB).
- v. The statement of financial performance has been prepared on cash basis since the reflected amounts that are the same as those in the statement of cash flows.

Consequently, the financial statements have not been prepared in accordance with Section 81 of The Public Finance Management Act, 2012, which requires accounting officers to prepare financial statements in a form that complies with the relevant accounting standards prescribed and published by the Accounting Standards Board from time to time.

3. Revenue from Exchange Transactions

The statement of financial performance reflects rendering of service - fees from students amounting to Kshs.2,646,775. However, fees payments summary reports generated from the College management information system used in recording of receipts reflect the total receipts amounting to Kshs.3,040,220 resulting in an unexplained variance of Kshs.393,445.

In addition, system reports indicated that four hundred and fifty-seven (457) receipts issued during the year ranged from No 0478 to 0916. However, one hundred and nine (109) receipts or 24% of the total receipts were not accounted for. Further the system had not captured the students' fees invoices and as such, the student records could not provide details of fees arrears or prepayments if any.

In the circumstances, the accuracy and completeness of the rendering of services - fees from students amount of Kshs.2,646,775 for the year under review was not confirmed.

4. Unreconciled Total Expenditure

The statement of financial performance for the year under review reflects total expenditure amounting to Kshs.16,373,853. However, expenditure ledger reports extracted from the College Management Information System reflected total expenditure amounting to Kshs.12,733,180 resulting in a variance of Kshs.3,640,673 which was not explained or reconciled. Additionally, the system expenditure reports indicated payment descriptions which were different from the classification in the financial statements making it difficult to relate the system reports to the financial statements.

Further, analysis of the payments in the information system revealed that of the nine hundred and sixteen (916) payment vouchers recorded during the year under review, ranging from 001 to 916, had missing records involving 113 vouchers or 12% of the total number of vouchers which could not be accounted for. No explanation was provided for the number of vouchers not accounted for.

In the circumstances, the accuracy and completeness of the total expenditure amounting to Kshs.16,373,853 incurred during the year under review could not be confirmed.

5. Refundable Deposits from Customers (Caution Money)

The statement of financial position reflects refundable deposits from customers (caution money) amounting to Kshs.58,900. However, the deposit register together with the schedule showing the details of those owed the amounts was not provided. In addition, the College had three hundred and twenty-one (321) students as at 30 June, 2020, and if each student had paid Kshs.500, the account would reflect Kshs.160,500.

Consequently, the accuracy of the refundable deposits from customers (caution money) amount of Kshs.58,900 could not therefore be confirmed.

6. Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment valued at Kshs.54,760,520. However, the amount is detailed in Note 18 to the financial statements and not in Note 19 as indicated. In addition, Note 18 containing an assets movement schedule has not been prepared according to the format prescribed by the Public Sector Accounting Standards Board (PSASB), and lacks appropriate classification of the assets, cost, depreciation and net book values. Further, there was also no policy disclosed in the financial statements on asset depreciation showing the applicable depreciation method and rates for each class of asset.

Consequently, the accuracy of the property, plant and equipment book values amounting to Kshs.54,760,520 could not be confirmed.

7. Unreconciled Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.8,574,028 as at 30 June, 2020 comprising of Kshs.8,541,902 held in three bank accounts, and cash at hand of Kshs.32,126 as disclosed in Note 15 to the financial statements. However, the bank reconciliation statements together with the certificates of bank balance were not provided for audit review. In addition, the cash book closing balance together with the cash at hand were not supported with a report of the Board of survey of cash balances.

Consequently, the accuracy and existence of the cash and cash equivalents balance of Kshs.8,574,028 could not be confirmed.

8. Unsupported Receivables

The statement of financial position reflects receivables from exchange transactions amounting to Kshs.1,474,460 and receivables from non-exchange transactions amounting to Kshs.2,160,000 all totalling Kshs.3,634,460. However, no schedules were provided for audit review to support the two amounts. In addition, no provision was made to cater for amounts not likely to be collected from students in line with prudence principle.

Further, recognition of the undisbursed Government capitation grant amount of Kshs.2,160,000 is contrary to Paragraph 31 of the International Public Sector Accounting Standards (IPSAS) 23 which states that an inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset shall be recognized as an asset when, and only when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and the fair value of the asset can be measured reliably.

Consequently, the accuracy of the receivables balance of Kshs.3,634,460 could not be ascertained.

9. Unamortised Intangible Assets

The statement of financial position also reflects intangible assets valued at Kshs.625,000 in respect of acquired software. However, the management did not charge amortisation expense on the software as required in the accounting policy for intangible assets as indicated in paragraph 4 (e) of notes to the financial statements outlining significant accounting policies. The policy provides that intangible assets are carried at cost less any accumulated amortization and impairment losses.

Consequently, the accuracy of the intangible assets value of Kshs.625,000 as at 30 June, 2020 could not be confirmed.

10. Unsupported Current Liabilities

The statement of financial position reflects current liabilities totalling Kshs.1,974,111 as at 30 June, 2020 comprising trade and other payables from exchange transactions, refundable deposits, and fee payments in advance as shown in Note 21 to the financial statements. However, the no supporting schedules were provided for audit review.

In the circumstances, the accuracy of current liabilities amounting to Kshs.1,974,111 as at 30 June, 2020 could not be confirmed.

11. Unbalanced Statement of Financial Position

The statement of financial position is not balanced as the net assets total is reflected as Kshs.65,739,897 while the reserves and capital fund amounts to Kshs.67,714,008 resulting to a difference of Kshs.1,974,111 which was not been reconciled.

Consequently, the statement of financial position is not correct.

12. Inaccuracy of the Statement of Changes in Net Assets

The statement of changes in net assets does not reflect information in support of amounts extracted from the statement of financial position and statement of cash flows, and therefore is not properly presented. In addition, Kshs.55,385,519 and Kshs.9,094,416 in respect of capital fund and reserve respectively reflected in the statement of financial position are not included the statement of changes in net assets.

Consequently, the accuracy of the statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

13. Inaccuracy of the Statement of Cash Flows

The statement of cash flows for the year ended 30 June, 2020 is not properly prepared and does not provide the intended information. The statement is prepared using the indirect method and cash flows have not been reconciled to the relevant source records.

The statement also includes inaccurate amounts in respect of increase in payables of Kshs.1,521,948 instead of Kshs.1,974,111 shown in the statement of financial position and payment received in advance of Kshs.2,562,569 which is not reflected in the statement of financial position.

The total for cash flows from investing activities is indicated as Kshs.8,515,128 instead of Kshs.(2,515,081), which would have resulted into an increase in cash and cash equivalents of Kshs.3,484,966 instead of the Kshs.8,574,028 shown.

Consequently, the accuracy of the statement of cash flows for the year ended 30 June, 2020 could not be confirmed.

14. Lack of Approved Budget

During the year under review, the Board of Governors and Management of the College operated without a budget duly approved by the Cabinet Secretary contrary to the provisions of Section 22 (1 and 2) of the Second Schedule of the Technical and Vocational Education and Training Act of 2013 which states that a Board of Governors of a public institution shall prepare annual estimates of revenue and expenditure for the institution under its charge, in such form and at such times as the Cabinet Secretary may prescribe and that the Board may incur expenditure for the purpose of the institution in accordance with estimates approved by the Cabinet Secretary, and any approved expenditure under any head of the estimates may not be exceeded without the prior written approval of the Cabinet Secretary.

Consequently, the Management breached the law.

15. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.44,213,590 and Kshs.19,607,926 respectively resulting in a shortfall of Kshs.24,697,664 or 56% of the approved budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.44,213,213 and Kshs.16,373,853 respectively resulting in an under performance amounting to Kshs.27,839,736 or 63%.

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

16. Compliance with the TVETA Quality Audit Requirements

During the year under review, the College did implement the quality assurance manual developed by the Technical and Vocational Education Training Authority as detailed below: -

16.1 Programme Accreditation

The college had not applied or sought accreditation for the programmes that were being offered and there was also no evidence that all the trainers were accredited.

16.2 Internal Quality Assurance

Although the internal quality assurance committee was in place, there was no evidence that it was functional as the minutes of the meetings held, schedule of their activities and reports were not provided for audit review.

Consequently, the quality of programs delivered to trainees could not be ascertained.

17. Lack of Risk Management Policy

During the year under review, the College operated without a risk management policy contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015, which stipulates that the Accounting Officer of a Government entity should develop risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations.

The College, therefore, did not have a framework for management of risk and may be unable to identify, assess, prevent and mitigate against the risks affecting its operations. In addition, the College has no disaster recovery and business continuity plan in the event of occurrence a disaster.

Consequently, the Management is in breach of the law and may not be able to identify, assess, prevent, and mitigate against the risks affecting its operations.

18. Failure to Adhere to Occupational Safety and Health Act

Bunyala Technical & Vocational Training College has not mainstreamed the requirements of Section 9(1) of the Kenya Occupational Safety and Health Act (OSHA), 2007 which requires that every occupier shall establish a safety and health committee at the workplace in accordance with regulations prescribed by the Minister if there are twenty or more persons employed at the workplace among others.

Further, Section 11(1) of the same Act requires the occupier of a workplace to undergo thorough safety and health audit of his workplace at least once in every period of twelve months by a safety and health advisor, who shall issue a report of such an audit containing the prescribed particulars to the occupier on payment of a prescribed fee and shall send a copy of the report to the Director. However, as at the time of audit in April, 2021 there was no evidence that the College had undergone such audit. The College also did not have human resource policies and procedures manual and standing safety and health committee as required by the Act.

The Management is therefore in breach of the law.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and overall governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 College's ability to continue as a going concern, 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 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.

Those charged with governance 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of

Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Bunyala Technical and Vocational Training 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.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 February, 2022