

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Naivasha Technical and Vocational College set out on pages 1 to 37, 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 cashflows and summary 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. Inaccuracies in the Financial Statements**

The financial statements for the year ended 30 June, 2020 submitted for audit review had the following inaccuracies: -

- 1.1** The statement of financial performance reflects the comparative amount for use of goods and services as Kshs.961,055 while Note 15 reflects Kshs.942,015 resulting in unexplained variance of Kshs.19,040.
- 1.2** Note 16 to the financial statements omitted the comparative figures for social contribution of Kshs.17,920 as compared to the previous year's financial statements.
- 1.3** Note 22 to the financial statements omitted the comparative figures relating to advertising Kshs.175,000, postage Kshs.7,830, telecommunication Kshs.13,000 and printing Kshs.45,298 as compared to the previous year's financial statements.
- 1.4** The statement of financial performance reflects fees from students totalling Kshs.1,725,391 while the corresponding Note 10 reflects Kshs.2,409,890, resulting to unexplained variance of Kshs.684,499.
- 1.5** The statement of financial position reflects receivables from non-exchange transactions amount of Kshs.560,000. However, the corresponding Note 29 reflects a nil balance resulting in unreconciled variance of Kshs.560,000

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

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

Review of the financial statements for the year 30 June, 2020 submitted for audit revealed the headers at pages 6 to 27 under notes to the financial statements erroneously reflects year ended 30 June, 2019 instead of 2020.

Consequently, the financial statements for the year ended 30 June, 2020 do not conform to the presentation format prescribed by the Public Sector Accounting Standard Board (PSASB).

## **3. Unsupported Transfers from the National Government**

The statement of financial performance for the year ended 30 June, 2020 reflects transfers from the National Government amounting to Kshs.3,078,434. The amount was received as operational grants. However, bank statements and cashbooks confirming receipt and recoding of the amount were not provided for audit verification.

Consequently, the accuracy and completeness of transfers from the National Government amount of Kshs.3,078,434 reflected in the financial statements for the year under review could not be confirmed.

## **4. Unsupported Fees from Students**

The statement of financial performance reflects fees from students totalling Kshs.1,725,391. However, the schedules provided reflected total fees receipts as Kshs.4,374,990, leading to unexplained and unreconciled variance of Kshs.2,649,599. Further, the schedule did not indicate the receipt numbers for the revenue. Consequently, the accuracy and validity of the fees from students of Kshs.1,725,391 for the year ended 30 June, 2020 could not be confirmed.

## **5. Unsupported Employee Costs**

The statement of financial performance for the year reflects employee costs totalling Kshs.1,668,226 as detailed in Note 16 to the financial statements. The amount was incurred on payment of salaries and wages and travel and accommodation allowances. However, the supporting payrolls provided for audit reflected salaries and allowance payments totalling Kshs.1,651,301 resulting in unexplained variance of Kshs.16,925. Further, employee costs include Kshs.307,006 in respect of travel and accommodation allowances which relate to general expenses. In addition, the employee costs include wages of part-time lecturers totalling Kshs.485,653. However, the schedule provided in support of the wages did not disclose the identification numbers of the lecturers, the dates when respective lessons were conducted, and the amount charged per lesson. Consequently, the accuracy and validity of the employee costs amount of Kshs.1,668,226 for the year ended 30 June, 2020 could not be confirmed.

## **6. Unsupported General Expenses**

The statement of financial performance for the year ended 30 June, 2020 reflects general expenses totalling Kshs.932,447 as detailed under Note 22 to the financial statements. However, the supporting schedule provided reflects an amount of Kshs.1,372,691,

resulting in unexplained variance of Kshs.440,244. Further, the schedule did not reflect the reference numbers of the payment vouchers.

Consequently, the accuracy and occurrence of the general expenses of Kshs.932,447 for the year under review could not be confirmed.

## **7. Cash and Cash Equivalents**

The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.2,151,093 as disclosed under Note 27 to the financial statements. The amount was held in three bank accounts comprising Main, Development and Fund accounts. However, the balance was not supported by the respective cashbooks and bank reconciliation statements as at that date.

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.2,151,093 as at 30 June, 2020 could not be confirmed.

## **8. Undisclosed Property, Plant and Equipment**

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment of Kshs.29,813. However, available information indicated that the College owns properties which include parcels of land, an office block and classrooms, multiple high value engineering plant and machinery, and computers which have not been valued and disclosed in the financial statements.

Consequently, the accuracy and completeness of the property, plant and equipment of Kshs.29,813 as at 30 June, 2020 could not be confirmed.

## **9. Unsupported Receivables from Exchange Transactions**

The statement of financial position as at 30 June, 2020 reflects receivables from exchange transactions totalling Kshs.1,367,300 accruing from students. However, the supporting schedule reflected Kshs.1,364,700, leading to a variance of Kshs.2,600 which was not explained or reconciled. Further, the supporting schedule did not indicate the fees invoiced, amount paid and balance outstanding as at the end of the financial year.

Consequently, the accuracy and completeness of the receivables from exchange transactions of Kshs.1,367,300 as at 30 June, 2020 could not be confirmed.

## **10. Budgetary Control and Performance**

The summary statement of comparison of budget and actual amounts for the year ended 30 June, 2020 shows that Naivasha Technical and Vocational College had a total income budget of Kshs.60,551,385 against actual income of Kshs.5,488,424 or 9% of the expected amount. Similarly, the statement reflects a total expenditure budget of Kshs.60,551,385 against actual expenditure of Kshs.4,308,437 or 7% of the expected expenditure. The performance difference was due to failure to obtain the budgeted funding from public contribution and donations.

Consequently, the College was not able to implement its development projects, leading to impairment of service delivery.

## **11. Fixed Assets Register**

The statement of financial position as at 30 June, 2020 reflects property, plant and equipment of Kshs.29,813. However, the fixed assets register provided for audit review lacked key information including serial numbers of items, dates of acquisition, cost of acquisition (value) of the asset, additions made during the financial year under review, depreciated values, and net book values.

Consequently, the register may not be a reliable document for effective control of assets and preparation of financial statements.

## **12. Lack of Risk Management Policy**

At the time of concluding, the audit in March, 2021, Naivasha Technical and Vocational College did not have a risk management policy to guide assessment and evaluation of risks and development of strategies to mitigate them. This was contrary to Regulation 165(1) of the Public Finance Management (National Government) Regulations, 2015 which require the Accounting Officer to ensure that the national government entity develops risk management strategies, which include fraud prevention mechanism; and a system of risk management and internal control that builds robust business operations. Consequently, the service delivery may be adversely affected by avoidable risks.

## **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 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 (Cash 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.

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 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 money is applied in an effective manner.

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 review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

Further, in planning and performing the audit of the financial statements and review 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 College's 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**

**04 February, 2022**