

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Runyenjes Technical and Vocational College set out on pages 1 to 18, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of cash flows, statement of changes in net assets 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 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Runyenjes Technical and Vocational 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 do not comply with the Technical and Vocational Education and Training Act, 2013 and the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1.0 Late Submission of the 2018/2019 Financial Statements

The financial statements under review reflects comparative figures for financial year 2018/2019. By the time of the audit of the financial statements under review, financial statements for the year 2018/2019 had not been prepared and presented for audit in line with Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate. However, the financial statements for the year 2018/2019 were submitted for audit in the month of February, 2021 being seventeen months past the statutory deadline of 30 September, 2019 and after 2019/2020 financial statements were audited and exit meeting held. Efforts were made to audit the 2018/2019 financial statements but proved not possible due to closure of the College in the month of March, 2021 in line with Covid-19 containment measures outlined by the Government of Kenya in March, 2021.

In the circumstances and in the absence of certified accounts for year 2018/2019, it was not possible to ascertain the validity, accuracy and completeness of the comparative figures for the financial statements for the year ending 30 June, 2020.

2.0 Accuracy of the Statement of Changes in Net Assets

The statement of changes in net assets reflects Kshs.5,646,147 in respect to total balance as at 30 June, 2020 which includes Kshs.4,203,007 for retained earnings for the year ended 30 June, 2020 which further includes Kshs.47,510 in respect to transfer of depreciation/amortization from capital fund to retained earnings. However, supporting documents including ledgers and valuation reports in support of the same were not provided for audit review.

In addition, the same statement reflects a nil balance in respect to capital/development grants/fund as at 30 June, 2019 and 1 July, 2019. However, a recast of the balances reflects Kshs.1,490,650 resulting to an unexplained variance of the same amount.

Further, the same statement reflects Kshs.583,082 in respect to total balance as at 30 June, 2019. However, a recast of the same resulted to Kshs.2,073,732 leading to unexplained variance of Kshs.1,490,650.

In the circumstances, the accuracy and validity of the Kshs.5,646,147 in respect to reserves in the statement of changes in net assets for the year ended 30 June, 2020 could not be confirmed.

3.0 Cash and Cash Equivalents

Note 14(b) to the financial statements reflects a balance of Kshs.1,484,680 for cash and cash equivalents which includes Kshs.3,842 in respect to a bank account whose supporting documents including a cash book, bank reconciliation statement and bank confirmation certificate were not provided for audit review.

In the circumstances, the accuracy of the bank balance of Kshs.3,842 as at 30 June, 2020 could not be confirmed.

4.0 Unsupported Expenditure on Local Transport and Travelling

Note 9 to the financial statements reflects a balance of Kshs.4,660,764 in respect to use of goods and services which includes an expenditure of Kshs.975,360 for local transport and travelling. The Kshs.975,360 expenditure includes Kshs.106,600 whose supporting documents including bus tickets, invitation letters, authority to use own vehicle, return to office reports and meeting minutes were not provided for audit review.

In the circumstances, the accuracy of the Kshs.106,600 expenditure for the year ended 30 June, 2020 could not be confirmed.

5.0 Rendering of Services

Note 7 to the financial statements reflects a balance of Kshs.2,749,570 in respect to rendering of services which relates to fees from students whose supporting ledgers and schedules were not provided for audit review. In addition, a review of documents provided for audit revealed that fees payable was Kshs.3,028,634 resulting to a variance of Kshs.279,064. Further, the manually maintained fees register was not updated with the latest entries having been done in September, 2019.

In the circumstances, the accuracy of the Kshs.2,749,570 in respect to rendering of services for the year ended 30 June, 2020 could not be confirmed.

6.0 Other Income

Note 8 to the financial statements reflects Kshs.31,000 in respect to other income which relates to sale of farm products. However, supporting documents including farm production records, date of sales, quantities sold, buyer details, invoices and copies of receipts issued were not provided for audit review.

In the circumstances, the accuracy of the Kshs.31,000 in respect to other income for the year ended 30 June, 2020 could not be confirmed.

7.0 Trade and Other Payables from Exchange Transactions

Note 17 to the financial statements reflects a balance of Kshs.2,374,972 in respect to trade and other payables from exchange transactions which includes Kshs.1,462,600 and Kshs.544,200 in respect to fees paid in advance and undistributed bursary respectively both totalling to Kshs.2,006,800. However, the ledger provided for audit review reflects Kshs.1,066,720 and Kshs.506,000 respectively all totaling to Kshs.1,572,720 resulting to an unexplained variance of Kshs.434,080.

In the circumstances, the accuracy of the Kshs.2,374,972 in respect to trade and other payables from exchange transactions for the year ended 30 June, 2020 could not be confirmed.

8.0 Property, Plant and Equipment

8.1 Valuation of Property, Plant and Equipment

Note 16 to the financial statements reflects a balance of Kshs.2,687,589 in respect to additions to property, plant and equipment during the year comprising of a nil balance, Kshs.1,490,124 and Kshs.1,197,465 in respect to land, buildings and furniture and fittings respectively. A review of documents provided for audit revealed that the College inherited land, buildings, office equipment and furniture and fittings of unknown value from the Ministry of Education, Science and Technology. However, the respective assets have not been valued and the Kshs.2,687,589 is therefore understated by the value of the excluded assets.

Further, the College is located on an 8 acre piece of land with the title showing the name of a Youth Polytechnic. Even though it was explained that the management is pursuing the transfer process of the land to the College's name, there was no evidence of the action taken by management to acquire the ownership documents.

In addition, a review of the Institute's asset register provided for audit indicated that the status and location of the assets was not recorded there-in.

In the circumstances, the accuracy, existence and ownership of the Kshs.2,687,589 in respect to property, plant and equipment additions as at 30 June, 2020 could not be confirmed.

8.2 Unsupported Depreciation

Note 16 to the financial statements reflects a balance of Kshs.2,640,079 in respect to property, plant and equipment netbook value as at 30 June, 2020 comprising of Kshs.2,687,589 in respect to cost of assets and Kshs.47,510 in respect to depreciation charge for the year. However, supporting documents including the rates on how the depreciation charge of Kshs.47,510 was computed were not provided for audit review.

In the circumstances, the accuracy of the Kshs.47,510 in respect to depreciation for the year ended 30 June, 2020 could not be confirmed.

9.0 Receivables from Exchange Transactions

9.1 Provision for Bad and Doubtful Debts

Note 15(a) to the financial statements reflects Kshs.660,100 in respect to receivables from exchange transactions. However, the College had not provided for bad and doubtful debts contrary to Paragraph 72 of the International Public Sector Accounting Standards (IPSAS) 29 which requires the carrying amount of an asset to be reduced either directly or through use of an allowance account if there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred.

In the circumstances, the College is in breach of the Standards.

9.2 Age Analysis and Debt Management Policy

Note 15(a) to the financial statements reflects Kshs.660,100 in respect to receivables from exchange transactions which relates to student debtors. However, the debt management policy, individual student ledgers detailing the courses taken, amount billed, amount paid and outstanding balance were not provided for audit review.

In the circumstances, the accuracy and recoverability of the Kshs.660,100 in respect to receivables from exchange transactions as at 30 June, 2020 could not be confirmed.

10.0 Receivables from Non-Exchange Transactions

Note 15(b) to the financial statements reflects Kshs.3,272,500 in respect to receivables from non-exchange transactions whose supporting ledgers were not provided for audit review.

In the circumstances, the accuracy of the Kshs.3,272,500 in respect to receivables from non-exchange transactions for the year ended 30 June, 2020 could not be confirmed.

11.0 Transfers from National Government Ministries

Note 6 to the financial statements reflects a balance of Kshs.7,147,500 in respect to transfers from national government ministries whose supporting documents including ledgers, notification of fund transfer letters from the Ministry and copies of acknowledgment receipt from the College were not provided for audit review. Further, the amount includes Kshs.3,000,000 in respect to grants. However, records obtained from the Ministry of Education reflects Kshs.3,812,500 in respect to the same item resulting to an unexplained and unreconciled variance of Kshs.812,500.

In the circumstances, the accuracy of the balance of Kshs.7,147,500 in respect to transfers from national government ministries for the year ended 30 June, 2020 could not be confirmed.

12.0 Employee Costs – Casuals

Note 10 to the financial statements reflects a balance of Kshs.966,288 in respect to employee costs which includes Kshs.152,800 in respect to five (5) casuals employed on 1 January, 2018 whose supporting documents including how the rates were arrived at were not provided for audit review.

In the circumstances, the accuracy and value for money for the Kshs.152,800 expenditure for the year ended 30 June, 2020 could not be confirmed.

13.0 Remuneration of Directors

Note 11 to the financial statements reflects a balance of Kshs.638,000 in respect to remuneration of directors whose supporting documents including the rates used for payment was not provided for audit review.

In the circumstances, the accuracy and value for money for the Kshs.638,000 in respect to remuneration of directors for the year ended 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 Runyenjes Technical and Vocational 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 Adverse 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

1.0 Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.23,208,000 and Kshs.9,928,070 respectively resulting to an under funding of Kshs.13,279,930 or 57% of the budget.

Similarly, the expenditure budget was Kshs.23,208,000 against actual expenditure of Kshs.6,355,655 or 27%, resulting to an under-expenditure of Kshs.16,852,345 or 73% of the budget.

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

2.0 Unapproved Budget

The statement of comparison of budget and actual amounts reflects total approved final revenue budget of Kshs.23,208,000 and an expenditure budget of Kshs.23,208,000. However, no evidence was provided to show that the same was approved by the Ministry of Education contrary to Section 22(2) of the second schedule of the Technical and Vocational Education and Training Act, 2013 which requires the Board of Governors to 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.

In the circumstances, the College is in breach of the Law.

3.0 Un-Distributed Bursaries

Note 17 to the financial statements reflects a balance of Kshs.2,374,972 in respect to trade and other payables from exchange transactions which includes Kshs.544,200 in respect to undistributed bursaries. However, it has not been explained why the bursaries remained undistributed to the needy students in the College.

In the circumstances, the value for money for the Kshs.544,200 in respect to undistributed bursaries could not be confirmed.

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, because of the significance of the matters discussed in the Basis for Adverse Opinion and in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, I confirm that public resources have not been applied lawfully and in an effective way.

1.0 Presentation of the Financial Statements

A review of the College financial statements for the year under review revealed the following anomalies;

Serial Number	Financial Statements Page number	Items/Component	Anomalies
1	ii	Table of content	The following is missing from the table of contents; i) The statement of Board of Governors' responsibilities. ii) Appendix II: Projects implemented by the entity. iii) Progress on follow up of auditor recommendations.
2	iv	Key entity Information and Management	Indicates the physical address of the Office of the Auditor-General as College Way instead of Monrovia street.
3	xiv	Report of the Principal	Report has not been signed by the Principal as required by the Technical and Vocational Education Training financial reporting template issued by the Public Sector Accounting Standards Board.
4	2	Statement of financial position	Institute of Certified Public Accountants of Kenya (ICPAK) membership number of the finance officer has not been indicated.
5	Various	Financial Statements	The financial statements balances are in decimal points and not rounded off to the nearest shilling contrary to the best accounting practice.

In the circumstances, the financial statements are not prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and Public Sector Accounting Standards Board (PSASB) prescribed format.

2.0 Human Resource Management

During the financial year under audit, the Management recruited three (3) employees who were paid Kshs.190,000 for the year under review. However, no evidence was provided for audit review to confirm that the College has a scheme of service and/or human resource manual/policy to guide the recruitment process. In addition, the College's staff establishment has not been approved by the Public Service Commission contrary to the Ministry of Education: State Department of Vocational and Technical Education Circular Ref No: MST/DTE/1/1 dated 12 July, 2019 which requires TVET institutions to develop a staff establishment with clear justifications for consideration and approval by the Public Service Commission.

In the circumstances, the College is in breach of the Law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion and in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that internal controls, risk management and overall governance were not effective.

1.0 Lack of Internal Audit Department

The College had not established an internal audit unit during the year under review as required by Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that the entity should ensure that it has appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board. The internal audit unit would have performed various roles stipulated by Section 73 (3) of the Public Finance Management Act, 2012 including risk assessment, putting in place a risk register and assessing the internal control mechanism.

In the circumstance, the College is in breach of the Law.

2.0 Non-Establishment of Audit Committee

The College had not established an audit committee during the year under review as required by Section 73(5) of the Public Finance Management Act, 2012 which stipulates that every national government public entity shall establish an audit committee whose

composition and functions shall be as prescribed by the regulations. The audit committee would have performed various functions stipulated by Section 175 of the Public Finance Management (National Government) Regulations, 2015 including supporting the Accounting Officer with regard to their responsibilities for issues of risk, control and governance and associated assurance.

In the circumstances, the College contravened the law and in addition, it was not possible to confirm the establishment of an effective internal control mechanism in the absence of such an oversight committee.

3.0 Information, Communication and Technology (ICT) Environment

Review of the College's ICT environment revealed that there was no formal approved ICT policy in place during the year under review which includes data security policy and disaster recovery plans. Further, the College's ICT structure was not provided for audit review.

In addition, during the year under review, the College did not have an Information Technology (IT) steering committee or strategic committee for ensuring effective IT controls and strategies.

In the circumstances, the security and reliability of the College's data including its Management Information System could not be ascertained and in addition, the College is in breach of the Law.

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 the Board of Governors

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, 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 College's 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 is responsible for overseeing the College's financial reporting process, reviewing the effectiveness of how 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 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.

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 noncompliance. 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 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

11 February, 2022