

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Adverse Opinion**

I have audited the accompanying financial statements of Taveta Technical and Vocational College set out on pages 22 to 49, which comprise the statement of financial position as at 30 June, 2020, 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.

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 Taveta 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. Inaccuracies in the Financial Statements**

1.1. The financial statements for the year ended 30 June, 2020 had the following inaccuracies:

- i. The statement of changes in net assets for the year ended 30 June, 2020 reflects an amount of Kshs.50,472,330 presented as fair value adjustment reserve instead of revaluation gain. Further, the figure varies with the re-casted total of Kshs.50,480,220 by Kshs.7,890. In addition, no supporting documentation for the adjustment was availed for audit review.
- ii. The statement of changes in net assets for the year ended 30 June, 2020 reflects nil transfer of depreciation to retained earnings instead of Kshs.1,261,000.
- iii. The statement of financial position as at 30 June, 2020 reflects total assets of Kshs.54,060,545. However, the total net assets and liabilities as at 30 June, 2020 is indicated as Kshs.54,573,445, resulting to unexplained and unreconciled variance of Kshs.512,900. Further, excluded from the accumulated deficit of Kshs.1,519,911 is a loss of Kshs.430,307 realized in the previous year.
- iv. The statement of cash flows reflects nil opening cash and cash equivalents balance while the audited financial statements reflected a balance of Kshs.3,869,538.

- v. The statement of comparison of budget and actual amounts reflects transfers from other government entities of Kshs.2,244,600 while statement of financial performance reflects Kshs.1,000,000, resulting to a variance of Kshs.1,244,600 which has not been explained or reconciled.

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

## 2.0. Non-Disclosure of Depreciation Policy

Note 11 to the financial statements for the year ended 30 June, 2020 reflects Kshs.1,260,999 in respect of depreciation expenses. However, the rate used has not been disclosed in the accounting policies. Further, the rate applied and depreciation charged has not been disclosed in the movement schedule at Note 11 to the financial statements. Consequently, the accuracy and completeness of depreciation of Kshs.1,260,999 for the year ended 30 June, 2020 could not be confirmed.

## 3.0. Unsupported Receipts and Payments

The financial statements contain balances which differ with supporting schedules as detailed below:

Item	Note	Financial Statement Amount (Kshs.)	Supporting Schedule Amount (Kshs.)	Variance (Kshs.)
Rendering of Services - Capitation	7	600,000	202,500	397,500
Use of Goods and Services - Repairs	8	13,750	23,400	(9,650)

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

## 4.0. Property, Plant and Equipment

As previously reported, the statement of financial position as at 30 June, 2020 reflects property, plant and equipment balance of Kshs.50,472,330. However, physical verification of the building in the month of January, 2021 revealed that the building had developed cracks along the wall mortars, beams, columns and on the ground floor. Valuation report in support of the assets was not provided for audit review. Management did not explain how depreciation charge for the year amounting to Kshs.1,261,000 was arrived at.

Further, the College received high value automotive training equipment, computers and accessories, furniture and fittings from the State Department of Technical and Vocational Training. The assets have been omitted in the financial statements and the handing over report for assets was not provided for audit review.

Consequently, the accuracy and completeness of the property, plant and equipment balance of Kshs.50,472,330 as at 30 June, 2020 could not be ascertained.

## 5.0. Unsupported Balances

The statement of financial position as at 30 June, 2020 reflects total assets balance of Kshs.54,060,545 out of which supporting documents for assets amounting to Kshs.53,100,230 were not provided for audit review as detailed below:

Item	Amount (Kshs.)	Anomalies Noted
Receivables from Exchange Transactions	2,617,700	No supporting Schedule availed for audit review.
Property, Plant and Equipment	50,472,330	Fixed Assets Register not availed for audit review.
Inventories	10,200	No supporting Schedule availed for audit review.
<b>Total</b>	<b>53,100,230</b>	

Consequently, the propriety, accuracy and completeness of assets balance of Kshs.54,060,545 as at 30 June, 2020 could not be confirmed.

## 6.0. Cash and Cash Equivalents

The statement of financial position as at 30 June, 2020 reflects cash and cash equivalents balance of Kshs.960,315. However, bank reconciliation statement as at 30 June, 2020 to support the amount of Kshs.960,315 was not provided for audit review.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.960,315 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 Taveta 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

### Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.14,018,635 and Kshs.3,960,510 respectively resulting to an under funding of Kshs.10,058,125 or 70% of the budget.

Similarly, the expenditure budget was Kshs.13,058,320 against actual expenditure of Kshs.4,235,820.92 or 32%, resulting to an under-expenditure of Kshs.8,822,499 or 68% of the budget. The under funding and under performance affected the planned activities and may have impacted negatively on service delivery to the public.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, I confirm 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 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, because of the significance of the matters described in the Basis for Adverse Opinion and Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of a Strategic Plan and Performance Objectives**

Management has disclosed on page 12 of the financial statements that the College's Strategic Plan and development and performance objectives had not been developed as at 30 June, 2020. As such, the College's performance cannot be reliably evaluated.

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, 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 to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the 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 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**

**07 February, 2022**