

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Tetu Technical and Vocational College set out on pages 1 to 14, 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 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 effects 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 Tetu 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 comply with the Technical and Vocational Education and Training Act, 2013.

Basis for Qualified Opinion

1. 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.69,704,785. However, Management has not provided ownership documents for the assets and including title deed for land valued at Kshs.6,000,000 and the basis upon which the values were determined including valuation reports.

Under the circumstances, the accuracy and completeness of property, plant and equipment balance of KShs.69,704,785 as at 30 June, 2020 could not be confirmed.

2. Total Net Assets and Liabilities

The statement of financial position reflects total assets and total liabilities balances of Kshs.74,055,007 and Kshs.5,955,257, respectively as at 30 June, 2020. The statement, however, shows erroneously at the bottom a balance of Kshs.68,099,750.16 instead of Kshs.74,055,007 for total net assets and liabilities. No explanation was provided for this anomaly.

3. Inaccurate Trial balance

The statement of financial position reflects a property plant and equipment balance of Kshs.69,704,785. This balance, however, has not been included in the trial balance for the year ended 30 June, 2020.

Consequently, the completeness and accuracy of the financial statements for the year under review could not be confirmed.

4. Inaccuracies in the Statement of Changes in Net Assets

The statement of financial performance reflects net deficit for the year of Kshs.4,385,370. The same figure is reflected in the statement of changes in net assets under retained earnings instead of revenue reserves.

In addition, Included in the statement of changes in net assets under the retained earnings is an unsupported amount of Kshs.2,887,483.59 (2018/2019-Kshs.3,193,181.25) which has been described as, “transfer of depreciation from capital fund to retained earnings”. This amount has been offset in the financial statements against the deficit for the year of Kshs.4,385,370.60 and thus resulting in a negative figure” of Kshs.1,605,035 in the statement of changes in net assets.

Consequently, accuracy and completeness of the balances in the statement of changes in net assets could not be ascertained.

5. Failure to Disclose Material Uncertainty in Relation to Sustainability of Service

The College recorded a deficit of Kshs.4,385,370.60 during the financial year ended 30 June, 2020 (2018/2019 – a deficit of Kshs.3,300,329.25), which further depleted revenue reserves. In addition, the current liabilities balance of Kshs.5,955,257 exceeded the current assets balance of Kshs.4,350,222, resulting in a negative working capital of Kshs.1,605,035 as at 30 June, 2020.

The above precarious financial performance and position is an indication of material uncertainty which may cast significant doubt on the College’s ability to continue sustain the services and to meet its obligations as and when they fall due. The financial statements have been prepared on a going concern basis on the assumption that the College will continue to receive financial support from the National Government and its creditors. However, this material uncertainty in relation to sustainability of services and any mitigating measures the being taken by the Management to reverse the undesirable financial situation have not been disclosed in the financial statements.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Tetu 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 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.

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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources 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.

Basis for Conclusion

1. Late submission of the Financial statements

The financial statements for the year ended 30 June, 2020 were submitted to the Office of the Auditor-General on 13 January, 2021, three and half months after the statutory deadline date of 30 September, 2020. This is contrary to provisions of Section 47(1) of Public Audit Act, 2015 which requires the Management to submit the financial statements to the Auditor-General within three months after the end of the financial year to which the respective accounts relate.

Consequently, the Management was in breach of the law.

2. Inequitable Remuneration of Staff, Lack of Staff Establishment and Scheme of Service

As previously reported, a review of personnel records and payroll revealed that the College had recruited six trainers under the supervision of Michuki Technical Training College (the Mentoring Institution) and was paying each a gross salary of Kshs.17,000 per month, despite the trainers having different levels of qualifications namely; diploma, certificate, artisan course certificate and experience.

In addition, a trainer with artisan course certificate was not licensed by Technical & Vocational Authority as required by TVET Act, 2013 and TVET Regulations, 2015. The College did not also have staff establishment and scheme of service.

Consequently, the Management was in breach of the law.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

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 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 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 ability of Tetu Technical and Vocational College to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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 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 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 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 ability of the College 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 sustaining 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 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 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

01 February, 2022