

REPORT OF THE AUDITOR-GENERAL ON TINDIRET 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 Tindiret Technical and Vocational College set out on pages 1 to 42, 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. 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 effect 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 Tindiret 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Presentation, Accuracy and Completeness of the financial statements

1.1 Presentation of the Financial Statements

The financial statements did not conform to the template issued by the Public Sector Accounting Standards Board vide The National Treasury and Planning letter reference No. AG.4/16/3 Vol.1(9) dated 24 June, 2020. The following anomalies were noted;

- i. The ICPAK Number of the Finance Officer has not been indicated against the signature of the statement of financial position.
- ii. Payments of salaries and wages have not been disclosed under related party transactions.
- iii. Appendix III to the financial statements reflect inter entity transfers. However, this schedule has not been countersigned by the Head of Accounting unit in the issuing Ministry as required by the financial reporting template.

1.2 Statement of Cash Flows

The statement of cashflows reflect under cash flows from operating activities, Kshs.16,130,430 in respect to receipt from rendering of services - fees from students which differs with the corresponding balance of Kshs.14,552,190 disclosed in the statement of financial performance. The resulting variance of Kshs.1,578,240 has not been explained.

Consequently, the accuracy and validity of the cash and cash equivalents balance of Kshs.8,072,876 as at 30 June, 2020 could not be confirmed.

1.3 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects under final budget, balances which vary from the approved budget as detailed below:

Component	Final Budget as per Statement of Comparison of Budget and Actual Amounts (Kshs.)	Approved Budget (Kshs.)	Variances (Kshs.)
Revenue			
Transfers from Other Government Entities - Government Grants	13,140,000	15,000,000	(1,860,000)
Rendering of Services - Fees from Students	13,210,000	15,240,000	(2,030,000)
Expenses			
Compensation of employees	2,522,889	5,760,000	(3,237,111)
Use of Goods and Services	11,629,492	-	11,629,492
Operating Expenses	-	5,174,000	(5,174,000)
Repairs and Maintenance	525,600	821,250	(295,650)

The variances have not been reconciled.

The statement of comparison of budget and actual amounts reflect under actual on comparable basis column, balances which varies from those shown in the statement of financial performance as detailed below;

Component	Actual on Comparable Basis as per Statement of Comparison of Budget and Actual Amounts (Kshs.)	Statement of Financial Performance (Kshs.)	Difference (Kshs.)
Revenues			
Fees from Students	16,130,430	14,552,190	1,578,240
Expenses			-
Depreciation and Amortization Expenses	-	17,806,991	(17,806,991)

The differences have not been reconciled.

In the circumstances, the correctness of the financial statements as at 30 June, 2020 could not be confirmed.

1.4 Revenue from Exchange Transactions

The statement of financial performance for the year ended 30 June, 2020 reflects revenue from exchange transactions being rendering of services - fees from students figure of Kshs.14,552,190 while the supporting schedule shows Kshs.15,115,840 resulting to unreconciled variance of Kshs.563,650.

Consequently, the accuracy, completeness and validity of the revenue from exchange transactions figure of Kshs.14,552,190 could not be confirmed.

2.0 Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.8,072,876 in respect to cash and cash equivalents. However, the balance excluded two (2) bank accounts with a total balance of Kshs.804,124.

Although Management has explained that the bank accounts are under the control of their mentor, Kaiboi Technical Training Institute, who have disclosed the same in their financial statements, no reason has been provided as to why the bank accounts have not been handed over to the College.

Consequently, the accuracy, existence and completeness of the cash and cash equivalent balance of Kshs.8,072,876 as at 30 June, 2020 could not be confirmed.

3.0 Receivables from Exchange and Non-Exchange Transactions

The statement of financial position reflects balances Kshs.612,471 and Kshs.6,780,000 in respect of current portion of receivables from exchange transactions and receivables from non - exchange transactions respectively. However, the current portion of receivables from exchange transactions balance being student debtors, have not been analysed.

Further, no documentary evidence has been provided for audit to confirm that Management assessed the credit quality of each customer, taking into account their financial position, past experience and other factors. Further, that individual risk limits were set based on internal or external assessment in accordance with limits set by the directors and that the amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the college's management based on prior experience and their assessment of the current economic environment. In addition, that the receivables have not been analysed as fully performing, past due and impaired as stated by Management under Note. 44(i) to the financial statements.

Consequently, the accuracy, completeness, validity and collectability of the current portion of receivables from exchange transactions and receivables from non-exchange transactions totalling to Kshs.7,392,471 as at 30 June, 2020, could not be confirmed.

4.0 Inventory

As disclosed under Note 30 to the financial statements, the statement of financial position reflects Kshs.4,509 in respect to inventories. However, a physical stock take report and certificate of stock balances as at 30 June, 2020 were not provided for audit confirmation. Further, no documentary evidence was provided to confirm that the inventory was valued at the lower of cost or market value as required under paragraph 15 of International Public Sector Accounting standards No.12 - Inventories.

In the circumstances, the accuracy, completeness and existence of inventory balance of Kshs.4,509 as at 30 June, 2020 could not be confirmed.

5.0 Property, Plant and Equipment

As disclosed under Note 31 to the financial statements, the statement of financial position reflects Kshs.172,506,671 in respect to property, plant and equipment which includes Kshs.7,000,000 in respect to land. However, title deed for the land was not provided for audit verification.

Consequently, the accuracy, completeness and ownership of the College's land worth Kshs.7,000,000 as at 30 June, 2020 could not be ascertained.

6.0 Trade and Other Payables from Exchange Transactions

The statement of financial position reflects Kshs.2,116,050 in respect to trade and other payables from exchange transactions. However, an aging analysis schedule and creditors policy were not provided for audit verification.

Under the circumstances, the accuracy, completeness and existence of other payables from exchange transactions of Kshs.2,116,050 as at 30 June, 2020 could not be confirmed.

7.0 Deferred Income

The statement of financial position reflects a balance of Kshs.6,421,170 in respect to deferred income which differs from the nil balance disclosed under Note 38 to the financial statements.

Consequently, the accuracy, validity and completeness of the deferred income of Kshs.6,421,170 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 Tindiret 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.

Other Matter

1.0 Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.26,350,000 and Kshs.22,490,430 respectively resulting to an under-funding of Kshs.3,859,570 or 15% of the budget. Similarly, the Institute spent Kshs.12,892,304 against an approved budget of Kshs.16,011,972 resulting to an under-expenditure of Kshs.3,119,668 or 15 % of the approved budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the citizens.

2.0 Budget Approval

Contrary to Section 22 of the Second Schedule to the Technical and Vocational Education and Training Act, 2013 that Board of Governors may incur expenditure for the purpose of the institution in accordance with estimates approved by the Cabinet Secretary, Management did not provided documentary evidence to show that the budget was approved by the Cabinet Secretary.

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

1.0 Ethnic Balance

During the year under review, the total number of employees in the college were seventy four (74) out of which seventy (70) or 95% of the total number were members of the dominant ethnic community in the County. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community".

The Management is therefore in breach of the law.

2.0 Remuneration of Directors

The statement of financial performance reflects Kshs.1,073,000 in respect to remuneration of directors. However, no documentary evidence was provided to confirm that the Board sitting allowances were approved by the Board of Governors and the Cabinet Secretary as required under Section 17 of the Second schedule to the Technical and Vocational Education and Training Act, 2013.

Consequently, the lawfulness and propriety of expenditure of Kshs.1,073,000 could not be confirmed.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Lack of Internal Audit Function

The College had not established an internal audit function to oversee the governance mechanism and promote transparency and accountability in the management of resources. This is contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which stipulates that every national government entity shall have appropriate arrangements in place for conducting internal audit according to the guidelines of the Public Sector Accounting Standards Board.

In the circumstances, the College lacks internal structures, which could provide advice and assurance to the Management regarding effectiveness of the College's internal controls risk management and overall governance.

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 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 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 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.

Board of Governors 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 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 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

04 February, 2022