

# **REPORT OF THE AUDITOR GENERAL ON RIGOMA GIRLS SECONDARY SCHOOL FOR THE YEAR ENDED 30 JUNE, 2021 - NYAMIRA COUNTY**

---

## **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards, and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management, and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Adverse Opinion**

I have audited the accompanying financial statements of Rigoma Girls Secondary School - Nyamira County set out on pages 1 to 21, which comprise of the statement of financial assets and financial liabilities as at 30 June, 2021, and the statement of receipts and payments, statement of cash flows, and statement of budgeted versus actual amounts for the year 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 matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial

position of the Rigoma Girls Secondary School - Nyamira County as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012 and the Basic Education Act, 2013.

## **Basis for Adverse Opinion**

### **1. Inaccuracies in the Statement of Cash Flows**

The statement of cash flows reflects cash and cash equivalents at beginning and end of the year balance of Kshs.56,149 and Kshs.1,232,384, respectively resulting to a movement of Kshs.1,176,235. However, the net increase in cash and cash equivalents reflects a balance of Kshs.1,713,761 resulting to an unexplained variance of Kshs.537,526. Further, adjustment for increase/(decrease) on receivable and payables in the statement of cash flows was omitted.

In the circumstances, the accuracy, completeness, presentation and disclosure of the statement of cash flows could not be confirmed.

### **2. Unsupported Receipts and Payments**

The statement of financial performance reflects school fund income - parents contribution, School fund income - other receipts, payments for tuition, payment for operations and Boarding and School fund amount of Kshs.3,542,658, Kshs.700,000, Kshs.247,355, Kshs.1,569,464 and Kshs.2,704,835, respectively. However, the amounts were not supported by ledgers. This is contrary to Section 23(1) of the Fourth Schedule of the Basic Education Act, 2013 which states that, 'the Board of Management of a Public Institution of basic education shall cause to be kept all proper books and records of accounts of the income, expenditure and assets of the institution'.

In the circumstances, the accuracy and completeness of the receipts and payments amounting to Kshs.4,242,658 and Kshs.4,521,654 could not be confirmed.

### **3. Inaccuracies in the Capitation Grants for Operations**

The statement of receipts and payments reflects capitation grants for operations amount of Kshs.1,716,193 as disclosed in Note 2 to the financial statements. However, review of the NEMIS capitation disbursements in the bank statements and the cash book revealed an amount of Kshs.2,766,886 resulting to an unexplained and unreconciled variance of Kshs.1,050,693.

In the circumstances, the accuracy and completeness of the capitation grants for operations amounting to Kshs.1,716,193 could not be confirmed.

### **4. Unsupported Fees Arrears**

The statement of financial assets and liabilities reflects accounts receivable balance of Kshs.4,420,802 which includes fees arrears for the current period amount of Kshs.970,110. However, detailed schedules supporting the fee arrears were not provided

for audit review. Further, the statement of financial assets and liabilities reflects Note 10 while notes to the financial statements reflects Note 11.

In the circumstances, the accuracy and completeness of fees arrears balance of Kshs.970,110 could not be confirmed.

## **5. Unsupported Cash and Cash Equivalents**

The statement of financial assets and financial liabilities reflects cash and cash equivalents balance of Kshs.1,233,384 which includes bank balance and cash balance of Kshs1,090,082 and Kshs.142,302, respectively as disclosed in Note 8 and 9 to the financial statements respectively. However, bank reconciliation statements for the infrastructure account with a balance of Kshs.701,230 was not provided for audit review. In addition, the board of cash survey or cash count certificate to confirm the reported cash balance was also not provided for audit review.

In the circumstances the existence, accuracy and completeness of cash and cash equivalents balance of Kshs.701,230 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Rigoma Girls Secondary School Management in accordance with ISSAI 130 on the 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.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Compliance with the Public Sector Accounting Standards Board (PSASB) Reporting Requirements**

The Public Sector Accounting Standards Board (PSASB) Guidelines on Implementation of International Public Sector Accounting Standards (IPSAS) by Secondary Schools in

*Report of the Auditor General on Rigoma Girls Secondary School for the year ended 30 June, 2021 - Nyamira County*

Kenya of 20 August, 2021 requires the first financial statements after adoption of IPSAS to be presented for eighteen (18) months from 1 January, 2020 to 30 June, 2021 with comparatives being for twelve (12) months from 1 January, 2019 to 30 December, 2019. Further, a disclosure note ought to have been included in the financial statements that the reason for preparing for longer period is due to the adoption of IPSAS for school and the change from calendar year to government fiscal year. In addition, a disclosure note should be made in the financial statements that the comparative information may not be comparable due to the longer period covered by the current financial period.

However, Management presented the annual report and financial statements covering only one year for financial year 2020-2021 with comparative balances for financial year 2019. Therefore, the financial statements have not been prepared for eighteen-months (18) as prescribed the Public Sector Accounting Standards Board (PSASB).

Further, no disclosure was made on the change in the preparation of financial statements from calendar year to government fiscal year or on the lack of comparability due to longer period covered by the current financial period.

In the circumstances, Management did not comply with guidelines issued by the PSASB.

## **2. Irregularities in the Procurement of Dormitory Construction**

The statement of receipts and payments reflects boarding and school fund payments amount of Kshs.2,704,835 as disclosed in Note 7 to the financial statements which includes an amount of Kshs.1,789,837 incurred on dormitory construction. However, review of project documents revealed two (2) approved bills of quantities for the construction of the same dormitory block, one at a cost of Kshs.3,002,900 while the other was at a cost of Kshs.15,403,620. No explanation was provided for the anomaly. Further, contract agreement, inspection and acceptance committee report and project implementation status report were not provided for audit review.

In the circumstances, value for money on the construction of the dormitory expenditure of Kshs.2,04,835 could not be confirmed.

## **3. Lack of an Annual Procurement Plan**

During the year under review, the School did not have an approved procurement plan. This was contrary to Regulation 40(1) of the Public Procurement and Asset Disposal Regulations, 2020 which states that a procuring entity shall prepare a procurement plan for each financial year as part of the annual budget preparation process.

In the circumstances, Management was in breach of the law.

## **4. Excess Distribution of Textbooks**

During the year under review, the School Improvement Plan (SIP) indicating the need assessment of textbooks and reference material needed by the school was not prepared contrary to Section 2.2.1 of the Operation Manual from the Ministry of Education. The School received seventy-one (71) sets of books for Form 4 of Kigogo, Memories we Lost and Other Stories, Inheritance, Tumbo Lisiloshiba, Blossoms of Savannah, The Pearl, Adoll's House and Chozi la Heri instead of forty-two (42) for each. This resulted to excess

distribution of twenty-nine (29) books for each set book or two hundred and thirty-two (232) set books of the entire consignment.

In the circumstances, value for money for the distribution of textbooks 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 THE 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 Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **1. Weak Internal Controls on Cash Management**

During the year under review, the School did not have proper controls in management of cash through imprest or float and withdrawals were not based on an approved imprest or reimbursement period. In addition, the school did not maintain a memorandum (petty) cashbook.

In the circumstances, the effectiveness of internal controls on cash advances, issuance and surrender of imprests could not be confirmed.

#### **2. Failure to Maintain Board Meeting Attendance Register**

Review of the Board minutes and related documents revealed that the School Management did not maintain Board attendance register and agenda or notices for Board.

In the circumstances, it was not possible to confirm the attendance of Board Members and whether the meetings agenda were circulated to the Board Members.

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 controls, risk management, and overall 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 (Cash Basis) and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Schools 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 School 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 Schools 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 overall 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls 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 Institute'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 controls.
- 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 School'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 School 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 School 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 controls 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 October, 2023**